FINANCIAL TIMES

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Schneider boss released from Belgian prison

Didier Pineau-Valencienne, chairman of French industrial group Schneider SA, was last night released from prison in Brussels, where he had been held since May 27 after being arrested on charges of fraud and swindling. The case arose from complaints filed by minority shareholders in two subsidiaries of Schneider in Belgium.

South Korea on alert for terrorists: Police in South Korea were placed on alert to guard against possible terrorist attacks from North Korea in connection with the dispute over international access to nuclear sites. Page 16

R Watson and Sons, UK actuarial consulting firm, is in talks about "an alliance" with US-based benefit consultants Wyatt and Co. Page 16

British Airways is stepping up its role in the modernisation of the Chinese air transport industry through joint ventures and other partnerships with regional carriers. Page 16; BA to oppose French limits, Page 3

Alexander & Alexander, the US insurance broker, is to get a $200m capital injection from the country's biggest property/casualty insurer, American International Group, as part of a plan to revive its ailing finances. Page 17; Lex, Page 16

Wellcome, UK pharmaceuticals group, is to remove accountants Touche Ross and appoint Coopers & Lybrand as sole global auditor and lead tax consultant from next year. Page 17

Vodafone, UK mobile communications group, said it expected to make no cuts in mobile telephone tariffs this year and dared its rivals to cut theirs. Page 17; Lex, Page 16

Metra and Securitas, Finnish and Swedish groups, unveiled a plan to create one of Europe's leading companies in locking and access control systems. Page 17

German and Spanish accord on EU: Germany and Spain committed themselves at their summit in Schwerin, eastern Germany, to close co-operation in planning for the next European "great leap forward". Page 3

South Africa to probe human rights: South Africa is to set up a "truth commission" to probe human rights abuses under apartheid but those who prove their crimes were politically motivated might be pardoned. Page 6

Yemeni ceasefire breached: Southern Yemeni warplanes bombarded northern forces, hours after a ceasefire by the north took effect. Page 6

Kashmir gunmen kidnap Britons: Two Britons, including the 16-year-old son of a former Financial Times correspondent, have been kidnapped in Indian-held Kashmir by Moslem militants demanding the release of three jailed guerrillas. Page 6

UK minister warns over Malaysia: Calls for retaliation against Malaysia are likely to increase unless Kuala Lumpur moves to lift a ban on giving public sector contracts to British companies, the UK's trade minister said. Page 9

Pakistanis warned of sacrifices: Government leaders have warned Pakistanis to be prepared to make sacrifices in order to pave the way for long-term growth when the annual budget is unveiled tomorrow. Page 5

Concern over Argentina's trade deficit: Argentina's trade deficit widened sharply in the first four months of the year, raising concern over the country's export competitiveness and the sustainability of its fixed exchange rate. Page 8

IMF clears way for Philippine debt talks: The International Monetary Fund will grant the Philippines a $630m "exit facility" by the end of June, freeing the new "tiger cub" of Asia for debt negotiations at the Paris Club. Page 7

Quebec separatists threaten banks: Quebec separatists are threatening to withdraw business from banks and securities firms that draw attention to the economic costs of a possible breakaway from Canada by the francophone province. Page 8

Middle Eastern economies slump: The overall growth rate for the economies of the Gulf and other leading Middle Eastern states slumped to an aggregate 3.5 per cent in 1993 from 6.8 per cent the previous year. Page 6

Ulsterman wins racial abuse case: A 36-year-old Ulsterman was awarded £5,902 ($8,853) by an industrial tribunal in Nottingham in central England for suffering racial abuse at work. Page 9

■ STOCK MARKET INDICES		
FT-SE 100:	3,004.6	(-4.6)
Yield	4.11	
FT-SE Eurotrack 100	1,409.65	(-8.96)
FT-SE-A All-Share	1,514.1	(-0.1%)
Nikkei	21,042.71	(+316.06)
New York: lunchtime		
Dow Jones Ind Ave	3,758.68	(-9.84)
S&P Composite	458.13	(-0.75)
■ US LUNCHTIME RATES		
Federal Funds:	4⅛%	
3-mo Treas Bills: Yld	4.221%	
Long Bond	87⅝	
Yield	7.245%	
■ LONDON MONEY		
3-mo Interbank	5⅛%	(same)
Life long gilt future:	Sep 100½	(Sep101⅛)
■ NORTH SEA OIL (Argus)		
Brent 15-day (July)	$16	(16.255)
■ Gold		
New York Comex (Aug)	$383.4	(382.6)
London	$380.6	(378.6)

■ STERLING		
New York lunchtime:		
$	1.5085	
London:		
$	1.507	(1.5078)
DM	2.5189	(2.5164)
FFr	8.5771	(8.5654)
SFr	2.1332	(2.1364)
Y	158.589	(158.828)
£ Index	80.5	(80.5)
■ DOLLAR		
New York lunchtime:		
DM	1.66815	
FFr	5.687	
SFr	1.4145	
Y	104.45	
London:		
DM	1.6695	(1.6692)
FFr	5.6915	(5.6948)
SFr	1.4155	(1.4171)
Y	105.235	(105.35)
$ Index	65.7	(same)
Tokyo close Y 105.31		

Austria	Sch32	Greece	Dr300	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.30
Bulgaria	Lev20.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.60	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	Skr16
Egypt	E£5.00	Japan	Y600	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso55	Syria	S£50.00
France	FFr8.50	Kuwait	Fils625	Poland	Zl32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000
						UAE	Dh12.00

Jobs crisis strategy agreed

Industrialised nations back suggested OECD measures to reduce the 35m unemployed

By Peter Norman, Economics Editor, in Paris

Ministers from the world's 25 leading industrialised nations yesterday backed a wide programme of policies aimed at reducing the ranks of the 35m unemployed in their countries.

The ministers, in Paris for the annual meeting of the Organisation for Economic Co-operation and Development, endorsed an OECD report containing more than 60 recommendations ranging from encouraging entrepreneurship to changing laws that discourage hiring of labour.

The organisation also calls on governments to "reassess the role of statutory minimum wages" as an instrument for redistributing earnings.

The measures will be used by individual OECD member states to fashion policy programmes to be implemented with the help of the Paris-based organisation. Mr Bertie Ahern, the Irish finance minister, who chaired yesterday's meeting, said there was "a strong desire among ministers to undertake the policy options outlined".

There was an emphasis in the measures on improving training and education programmes. "With the change in labour markets, you are an apprentice all your life," Mr Ahern said.

The decision to launch an international employment strategy reflects the realisation that the industrial world's recovery from recession will not be sufficient to restore the high levels of employment of the 1950s and 1960s.

A communiqué issued after the meeting underlined that the ministers had agreed to embrace change. Recent technical advances and the expansion of trade and investment "create vast new opportunities for the

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■ Risk to democracy and world trading system
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OECD countries to expand employment", it said.

But this required the industrialised countries "to be permanently innovative and able to adjust, constantly improving their economic efficiency". To lower unemployment, the ministers agreed that comprehensive reforms of their labour markets and other structural reforms were essential.

They pledged that their countries would:

- nurture entrepreneurship;
- ease regulations that discourage private initiatives;
- improve education and training systems;
- improve the functioning of labour markets to achieve a better match between the supply and demand for jobs;
- make employment services more effective, giving high priority to "active labour market policies" designed to put people in touch with jobs;
- change laws and regulations that discourage hiring of labour.

At the same time, the ministers agreed that the industrial countries should maintain "an adequate social safety net" for those who could not adapt to change.

Mr Ahern insisted the OECD countries were "not talking about unravelling the welfare system, taking away the basic rights of workers or undermining long-standing collective agreements".

However, the organisation proposes strict guidelines to prevent unemployment benefits acting as a disincentive to work. It also suggests that, over the medium term, collective bargaining agreements should be made more flexible so employers can renegotiate terms in times of difficulty.

The report acknowledges that the industrial world will continue to create low-wage, low-skilled jobs. But it underlines the importance of training to enable people to cope with technological change and greater competition.

Recognising that the US had a problem in creating too many low-paid jobs, Mr Robert Reich, US labour secretary, said it would be impossible to increase productivity "without a substantial investment in training and learning".

EU faces snub as Austrians prepare to vote

By Ian Rodger in Vienna and Hugh Carnegy in Oslo

The European Union is threatened with another humiliation as Austrians vote in a referendum this Sunday on whether to join the EU.

A positive outcome seemed assured only a few days ago, but the battle has suddenly become a cliffhanger, with the latest opinion polls indicating that voter intentions are evenly split and many still undecided.

As in the Maastricht treaty ratification referendum campaign in Denmark two years ago, anti-EU forces have won wide public support in the past few days by conjuring up images of a centralising, bureaucratic government in Brussels that would ride roughshod over Austrian interests.

Brussels would force Austria to build nuclear power plants against its will and would allow other EU countries to siphon off water from its Alpine reservoirs, EU opponents say.

Meanwhile, the pro-EU forces in Austria have been unable to find ways to paint the Union as an inspiring or effective organisation. On the contrary, for many Austrians there is daily evidence of the ineffectiveness of EU foreign policy in the large flow of refugees from neighbouring regions of the former Yugoslavia.

Mr Alois Mock, the Austrian foreign minister who has campaigned passionately for joining, admitted yesterday that the vote would be close and a positive result could not be guaranteed.

However, Mr Franz Vranitzky, the chancellor, was slightly more optimistic, saying he expected a clear and unambiguous vote, but acknowledging that it would "not be an overwhelming result".

A rejection of the EU would be another snub for the centralising tendency of the Union that has been the hallmark of the presidency of Mr Jacques Delors. Such a snub would be magnified if a negative vote in Austria encouraged voters in Finland, Norway and Sweden, who face EU entry referendums in the autumn, to

Continued on Page 16
Austrians in a fever over EU referendum, Page 2

US president Bill Clinton in Paris after meeting prime minister Edouard Balladur. "We reaffirmed our determination to work together very closely on the question in Bosnia," he said. Picture: AP

Sprint in talks with French and German companies

Global telecoms tie-up planned by US group

By Martin Dickson in New York and Andrew Adonis in London

Sprint, the large US telecommunications group, confirmed yesterday that it was discussing a global partnership with France Telecom and Deutsche Telekom, both of which might take equity stakes in the company.

Deutsche Telekom confirmed the talks and said it would make an announcement in the next few days.

A deal would constitute the second significant US-European telecoms alliance, coming a year after the launch of a $5.3bn tie-up between British Telecommunications and MCI, the second largest US operator.

Leading international telecoms operators are all attempting to position themselves as service providers to multinational companies amid rapid growth in global communications traffic.

If the deal goes ahead, analysts expect AT&T, the largest US operator, to renew its efforts to forge a European partnership to bolster its "Worldsource" venture, launched last year.

Sprint's announcement came 24 hours after the company said it had terminated talks about a full merger with Electronic Data Systems, the computing services subsidiary of General Motors, although the two said they would continue to discuss some form of alliance. Sprint is the third largest long-distance and international carrier in the US, with a market share of just under 10 per cent.

It also has large local and cellular telephony interests and earned $480.6m from continuing operations last year on revenues of $11.4bn.

It said yesterday that the proposed partnership with the European companies would concentrate mainly on providing "seamless, global telecommunications services to business customers".

Sprint warms up for race to link telecoms .....Page 19

France Telecom and Deutsche Telekom signed an Ecu1bn ($1.16bn) alliance last December, geared particularly at the international data market.

It has been actively seeking a US partner over the past year and is known to have been in talks with AT&T. The talks envisaged France Telecom and Deutsche Telekom making minority equity investments in Sprint through purchases of a new class of Sprint stock at a premium.

The company declined to elaborate on the potential size of the investment, but analysts speculated that it might involve several billion dollars.

Shares in Sprint, which has a market capitalisation of more than $13bn, rose $¾ to $38¾ in morning trading in New York yesterday.

The final form of any deal would remain problematic until the future status of the French and German operators is determined. Deutsche Telekom is in the throes of an uncertain privatisation process, and the French government has yet to decide whether to proceed with privatisation of France Telecom.

Unless both companies move to the private sector, it may not be possible to exchange equity stakes.

W German economy grows in first quarter by 2.1 per cent

By Christopher Parkes in Frankfurt and Michael Lindemann in Bonn

Western Germany's economy turned in the first quarter with 2.1 per cent growth after 12 months of sharp decline, the federal statistics office said yesterday.

The rise was fuelled by strong exports and good weather for construction, which were behind a surge in consumer spending.

The result showed the economy was on the road to recovery, the office said, although analysts and industry warned the pace of growth was unlikely to continue.

Mr Günter Rexrodt, economics minister, said in Paris that pan-German growth for the full year might now exceed his forecast of up to 1.5 per cent, although no dramatic decline in unemployment is expected.

The Organisation for Economic Co-operation and Development this week revised its 1994 German growth forecast from 0.8 per cent to 1.8 per cent. But Mr Peter Stihl, president of the DIHT trade and industry association, said the early improvement owed more to optimism than facts.

He expected only a 1 per cent improvement for the year. His caution echoed warnings from Mr Hans Tietmeyer, Bundesbank president, that the mood was better than the situation warranted.

While good economic news may improve the government parties' electoral chances, employers and the central bank are eager to damp expectations of a rapid recovery which could generate renewed inflationary pressure. This fear has prompted concern about interest rate rises.

German-based observers said cuts in disposable incomes were now choking off private demand. Public spending was still restrained, and prospects for the rest of the year depended largely on exports. GDP in the first quarter rose 2.1 per cent compared with the same period last year, and was up a seasonally-adjusted 0.5 per cent on 1993's last quarter. The figures were enhanced by special factors, but showed the first positive year-on-year change since the last quarter of 1992, the statistics office said.

Mild weather contributed to 4.7 per cent growth in construction output, and the pre-Easter shopping rush, which fell in April last year, showed up in a 1.7 per cent rise in private consumption. Exports increased 5.4 per cent and imports rose 2.7 per cent, while public sector demand remained 1.2 per cent below last year's level.

The quarter had one more working day than last year, and after adjustment, GDP increased 1.6 per cent on the year.

For the third consecutive month, unemployment fell in May, taking the unadjusted rate in the west from 8.4 per cent to 8.1 per cent and from 16.2 per cent to 15.4 per cent in the east.

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Not long ago, a Yes vote seemed assured; now it's far from certain, writes **Ian Rodger**

Austrians in a fever over EU referendum

EUROPEAN ELECTIONS June 9 and 12

In the European Union, tomatoes must be square, chocolates are made of blood and cucumbers are all radioactive. These are among the scare stories put about in Austria in the past couple of weeks as campaigning towards the country's referendum this Sunday on joining the EU has reached an extraordinarily fevered pitch.

According to the results of two polls published this week, sentiment has become finely balanced, with 31 per cent of those who have made up their minds in favour of joining and the same number opposed. An astonishing 38 per cent are still undecided.

If Austrians decide not to join the EU, Swedes and Norwegians, who vote in referendums in the autumn, might easily follow, leaving the Union's expansion strategy in tatters.

Anti-EU sentiment in Austria has recovered dramatically since early March when the successful conclusion of entry negotiations left the country in a pro-Europe euphoric state.

Polls then indicated as much as a 25 point lead for the pro-EU campaign. That momentum was soon dissipated when Britain and Spain held up ratification of the treaty over the arcane issue of voting weights in the council of ministers. This was just another demonstration of the meaningless wrangles that paralyse the Union, anti-EU forces in Austria exulted.

But, until a few days ago, polls continued to show that a small, but comfortable, majority of Austrians would vote in favour of joining the Union.

The motley collection of extreme right-wingers, farmers and some leftish Greens who formed the opposition looked completely overwhelmed by the unified ranks of the country's political, business and union leaders.

And the fundamental economic and security arguments for joining the EU, while not inspiring, were difficult to refute. In post cold war Europe, it is no longer clear who, if anyone, would guarantee Austria's security unless it becomes part of the Union.

The country's economy is already closely integrated with those of neighbouring EU countries, especially Germany and Italy. While membership will not make a big difference in Austria's growth prospects, there is general agreement that inward investment would be weaker if Austria did not join.

"We believe that 90 per cent of Austria's workers will benefit from membership, and the rest will be protected by special measures," Mr Heinz Vogler, president of the federal chamber of labour, says.

But these arguments were forgotten when the scare stories started appearing. Apart from the silly ones mentioned above which appeared in tabloid newspapers, there have been more substantial ones carefully tailored to Austrian sensitivities.

One legal expert discovered that, once inside the EU, Austria could not prevent its neighbouring countries from draining the Austrian Alps for their water requirements. Mr Jörg Haider, charismatic leader of the extreme right-wing Austrian Freedom party, promptly put up posters warning that joining the Union meant the country would lose its water.

Then a constitutional lawyer in Salzburg said that membership of the EU, including Euratom, would invalidate Austria's law outlawing the construction and operation of nuclear power plants, in spite of a comforting side letter in the entry treaty. From there, it was but a short step for EU opponents to claim that Brussels would force the country to build nuclear plants.

Last week, the Socialist-Conservative coalition government, which is leading the pro-EU campaign, took fright, realising that the scare campaign was having an impact. Now the government, too, has become somewhat extravagant in its claims.

Mr Ferdinand Lacina, finance minister, threatened last week that taxes would have to be raised if the country stayed outside. On Wednesday, Mr Otto Habsburg, a descendant of the former Austrian monarchy, was trotted out to say that the old Austrian idea of bringing people together in peace could only be realised in the EU.

On Sunday, Mr Alois Mock, the foreign minister who is recovering from a back operation, rose from his hospital bed to plead emotionally with his countrymen in a television interview to vote in favour.

He warned that a No vote would greatly weaken Austria. "We wouldn't go hungry. Our country is strong. But we would suffer many disadvantages – above all the next generation."

Ordinary Austrians seem put off by the increasingly shrill tone of the campaign, as is shown by the large number of undecided voters even at this late stage. One Vienna banker said this week: "One day when I talk to people, I get the impression that it will go through. The next day, I get the opposite impression."

Ms Madeleine Petrovic

Green puts case for staying on outside

QUESTIONS ON EUROPE

Madeleine Petrovic, leader of the Green Club in Austria, is a law graduate and former official in the Austrian social affairs ministry. She was elected president of the Green Alternative in Vienna in 1987 and to the national parliament in 1990.

Q: Austrians vote in a referendum on June 12 on whether to join the European Union. Why do you oppose Austrian membership of the EU?

A: We are not fundamentally against it. We want to change the EU, especially the Maastricht treaty. There are differing views among Greens about how best to do this. Some think we should join and then try to change it from the inside. We have evidence that it is possible to change the EU from outside.

Accession by Austria would be a good thing only if the Austrian government were willing to push for change in the EU. The EU is like a big ship that has sailed into dangerous waters. It needs a mobile little tug boat to get it out. We would like Austria to play that role. But the present government will not push for change.

Q: What do you think needs to be changed?

A: EU environmental policy is not strong enough to stop the negative actions of member states.

Q: Hasn't the EU shown sensitivity to Austrian concerns by agreeing to help finance a rail tunnel through the Brenner pass?

A: You cannot solve the transit problem with tunnels and bridges. Up to now, all the technical improvements that have been made have not been enough to prevent the growth of traffic. We get the impression that the EU does not see the real issue. The people want traffic to decrease.

Q: The government says the EU has also offered Austrian farmers a reasonable transition arrangement.

A: EU agricultural policy is completely contrary to the notion of sustainable development. It is wrong to transfer the multinational industrial model to agriculture. We should produce locally as much as possible.

Q: Do you fear economic damage if Austria does not join?

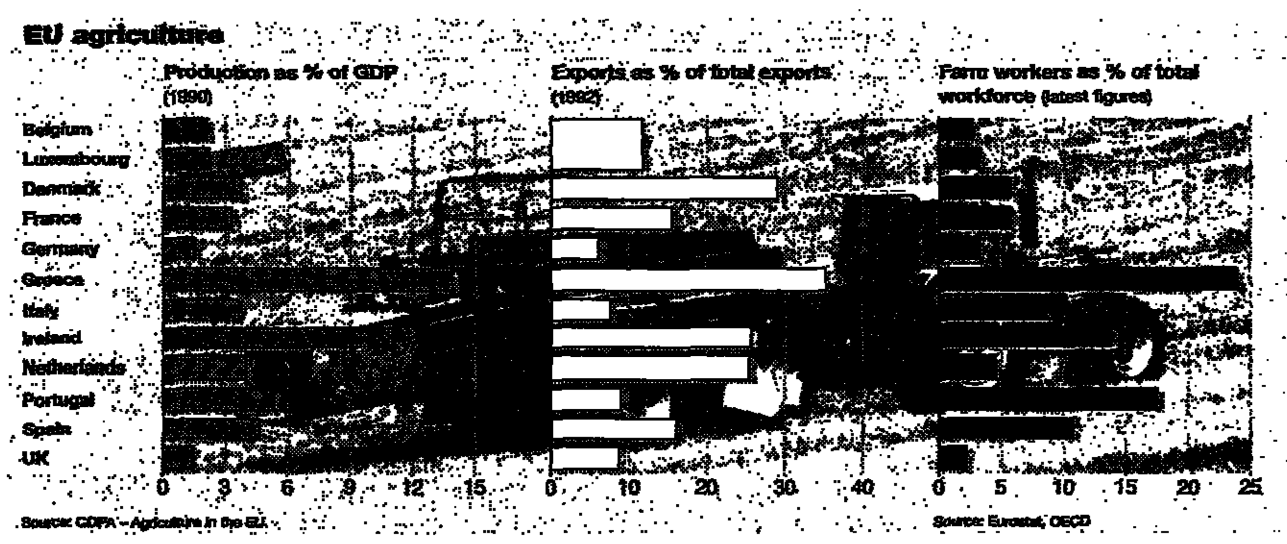
A: The economic effect would be marginal. We are already in the European Economic Area.

Q: What do you think will be the result in the referendum?

A: People do not trust the government. They know it is impossible for the EU to have only good points. Austrians have a strong tendency to decide in the day or so before a vote. Of course, we are going to respect the result, but the government will not if it loses. It will stage a second referendum.

Q: What would be the impact in the EU of a rejection?

A: The EU is in a very fragile state. Its leaders do not see what young people expect the Union to do. If they took a single step in the right direction, then young people would be enthusiastic. Now, instead, we have disaffection and indifference.



EU farmers try to come to terms with the new political landscape

Mr Jean-Claude Debaudre, a Normandy dairy farmer, will be voting in this week's European elections to stop a foreign invasion.

"The borders are a sieve. Products like meat are coming into western Europe from Poland and the Czech Republic without health checks," says Mr Debaudre, who is also president of the Normandy farmers' union. "Sanitary conditions are very different in eastern Europe and they're putting those in western Europe at risk. We want real frontiers, on price and safety grounds."

Low-cost east European producers are not the only targets at which he wants his MEP to take aim. Currency fluctuations following the breakdown of the European monetary system have created "distortions" in competition between member states, he says.

While British farmers enjoyed a 60 per cent rise in their incomes last year, prices for French wheat producers dropped by up to a quarter. That is why Mr Debaudre favours a single currency, or at least tighter regulations. "Farmers are very concerned about this. We want our candidates to commit themselves to it."

Short-term inequities, perceived or real, are high on the agenda at farmers' meetings with prospective MEPs. In both Britain and Denmark, for example, producers claim bitterly that they alone stick by the rules, filling in mountains of forms to comply with increasingly complex farm policies agreed in Brussels, while competitors elsewhere in the EU cheat and get away with it.

But the elections also come at a time when the industry is deep in debate – and intensely worried – about the longer-term future of agricultural policy.

Mr Jens Jakob Jakobsen, a large dairy farmer with 112 cows in Gangsted, northern Denmark, is arranging a series of farm visits for his local Euro-candidate, Ms Karen Riis Jorgensen. Farmers on the surrounding hills are much more interested in the election than people unconnected with the land, he believes. "How can we say we don't care when so much of our future is set in Brussels?"

His neighbours will turn out in force to talk to Ms Jorgensen, but they do not expect the young lawyer to have all the answers. "Who can tell what will happen, even in the next six months? We're all a little uncertain about the outcome of common agricultural policy reforms and the Gatt," Mr Jakobsen explains.

The 1992 reforms of the CAP introduced direct payments to farmers as compensation for cuts in price support. This made the size of the subsidies more transparent and highlighted the cost of the CAP, which this year amounts to Ecu36.5bn (£28bn), or half the total EU budget. Pressure is on for further reductions in support when the reforms end in 1996, and farmers know it.

Many also believe the sharp decline in the agricultural workforce – which has dropped by 26 per cent in the past decade – has lessened their lobbying power. Even in member states like Ireland, where nearly 14 per cent of the labour force is still farm-based, producers are aware they can no longer take taxpayers' money for granted.

> The industry is deep in debate – and intensely worried – about the longer-term future of agricultural policy, write **Alison Maitland and Deborah Hargreaves**

There are strains within the industry. Professor Wyn Grant, a specialist in agricultural policy at Britain's Warwick University, says that about a third of EU farmers are efficient enough to feel they could compete if subsidies were reduced or eliminated. "The others recognise they would be forced out of business if subsidies did not continue," he says.

That split in their constituency helps explain why some farming organisations have produced European election manifestos demanding open-ended support from the taxpayer, while others accept the need for radical reform.

For Mr Sjoerd Miedema, who runs a computerised dairy operation with 60 cows in Friesland, the Netherlands' main dairying region, the question is: what kind of reform? Given the high costs he faces to comply with environmental regulations, he does not want subsidies to be limited to keeping inefficient producers on marginal farmland. "You'll get all kinds of farmers doing it as a hobby," he says. "That's not producing real money for the rural economy."

Mr Liam Foley is also an efficient dairy producer, but he farms in County Cork and is a senior official in the Irish Farmers' Association. The priority in Ireland, he says, is to concentrate payments on preventing rural decline.

He will be voting with one eye on New Zealand, where agricultural subsidies were withdrawn virtually overnight in 1984. Fear that the Gatt deal liberalising world trade will eventually force the EU into open competition with highly efficient, low-cost food exporters is uppermost in many Irish farmers' minds.

"The large, efficient Irish producer could live with that, but the 35,000 dairy farms in Ireland would quite quickly be reduced to 10,000 in a totally free market," he says. "New Zealand dairy farms have an average herd of 160 cows. The average in Ireland is 25 to 30 cows. The social consequences are very, very serious for this country."

He is also worried about the impact on peripheral member states if east European countries join the EU. "The Germans are the main contributors to the EU budget and it will be more beneficial for them to contribute to the economies of the east," he says. "That will mean far less money from the EU coming into a country like Ireland through structural funds."

If subsidies are to continue as a way of propping up rural economies, then Mr Foley expects public pressure to ensure that environmental conditions are attached to them.

Mr Willy Gorlach, the German agriculture spokesman for the Socialist group in the last European parliament, argues that support should be targeted at farmers who adopt less intensive, "greener" methods.

Standing for re-election, Mr Gorlach attacks the way the current CAP reforms oblige farmers to leave 15 per cent of their arable land idle as "set-aside" while allowing intensive crop-growing to continue on the remaining 85 per cent. "It's not just the farmers' task to produce food," he says. "People should recognise that farmers have to produce the landscape, they have to protect nature, they have to protect our drinking water. As long as prices for food products fall because of overproduction, we need payments for farmers so they can respond to society's demands for landscape and nature."

Europe looms small in UK voters' eyes

By Philip Stephens, Political Editor

To the extent one can gauge the prevailing mood of an electorate, British voters prefer the sceptical vision of Europe offered by Mr John Major's Conservative government. But they will vote overwhelmingly for the opposition Labour and Liberal Democrat parties.

Perhaps more so than in any other European Union nation, the domestic record of the government, rather than the future shape of Europe, will decide the outcome in tomorrow's European elections.

No-one in the British political establishment doubts that the governing Conservatives will suffer heavy losses. The question is whether it will be a defeat or a disaster.

Opinion pollsters' best guess is that by the time the votes are counted on Sunday evening the party's representation in the Strasbourg assembly will be cut from the present 32 to anything between six and 20.

Of the total 84 seats in mainland Britain, Labour can expect to win upwards of 50 and the Liberal Democrats anything from three to a dozen.

The projections are precarious. The past few days have seen signs of a pick-up in support for the Conservatives. Britain's first-past-the-post electoral system ensures the winner invariably secures a disproportionate number of seats.

But it also means that a small swing, as little as 2 or 3 per cent of the vote, will decide the outcome in many seats.

Whatever the precise figures, Mr Major can credibly argue that the defeat will be despite, rather than because of, the essentially hostile approach to further European integration which has been the hallmark of the Conservative campaign.

Britain has never been a nation of enthusiasts for Europe. But the legacy of a deep recession and the bitter arguments over the Maastricht treaty have reinforced instinctive hostility to the idea that the rest of Europe might know best.

Mr Major's campaign has played to that mood. His emphasis on the preservation of the national veto in key areas of policy-making and on his government's opt-outs from the social chapter and monetary union have struck a chord with a large slice of the electorate.

The idea of a multi-track, multi-speed Europe in which Britain can proceed at its chosen pace has allowed the Conservatives to paper over the worst splits in his own party.

Eurosceptics have seized on it as evidence they are winning the argument – that Britain will opt out of further moves towards integration at the 1996 intergovernmental conference.

The prime minister's rhetoric has provided further succour. The Tory party's enthusiasts (and there are still many) take comfort from the fact that Mr Major has given no binding commitments about Britain's stance at that conference.

Mr Major's problem is that while the style of his campaign, with its exaggerated claims of a threat to British sovereignty, may solidify the core Conservative vote, most of the electorate will be more influenced by his dismal domestic record.

A painfully slow economic recovery, the largest tax increases in recent memory, and a divided government unable to set a coherent policy agenda, do not provide the ingredients for electoral success.

The voters are in the mood to punish Mr Major for his broken promises.

Despite the disruption caused by the death last month of its leader, Mr John Smith, the Labour party has focused its campaigning effort almost entirely on this domestic agenda, branding the prime minister a weak leader at the head of a directionless government.

On issues European Labour is now more "positive" than the Conservatives – committed to the social chapter and in favour of, if not enthusiastic about, a single currency.

However, it has been careful not to shout that fact from the rooftops.

The Liberal Democrats, long the most pro-European of Britain's mainstream parties, have adopted the same tack. Mr Paddy Ashdown, their leader, has toned down his commitment to a single currency and promised a referendum if the 1996 conference leads to a significant shift in sovereignty.

Instead, the Liberal Democrats have concentrated their fire on domestic issues.

Overall, the result has been a campaign that has denied the voters a rational debate on Britain's relations with its European partners.

Whoever wins, Europe will be the loser.

Clinton backing for strong Europe

By David Buchan in Paris

President Bill Clinton yesterday appealed to the western allies to stay the course they had set themselves in trying to bring peace to Bosnia, and promised US backing for a stronger Europe.

In his first speech to a European parliament, he told the French national assembly that "America will remain engaged in Europe and, despite troop reductions, will keep a strong force here".

Seeking to dispel traditional French suspicions of US motives, he said that "America wishes a strong Europe, and Europe should wish a strong America", and the entire transatlantic alliance benefited when "America and Europe stand together". French MPs gave him a standing ovation at the end of a speech that seems likely to reinforce recent improvements in the long-fractious relationship between Paris and Washington.

On Bosnia, Mr Clinton counselled patience. While "we must understand that we do not have total control over events in every nation", it was "important to recognise what has been done there". The war had been contained to Bosnia and had not spread to the air, he said, and he paid tribute to France's leading role in the UN peacekeeping force that had enabled humanitarian aid to get through.

The US backed yesterday's UN proposal for a four-month ceasefire, and with Russia's recent "very positive" diplomatic help hoped-for results.

As the first US president to address the French parliament since President Woodrow Wilson did so in 1919, Mr Clinton took a broad historical sweep to contrast how western democracies had initially failed to check fascism in the 1930s, but had held together in the face of Soviet communism. After the latter's collapse, "we have now arrived at this century's third point of decision".

"We must set our sights on a strategic star", he said. "Let that star be the integration and strengthening of the broader Europe". He said he had strongly welcomed the Nato decision in January "to let Nato assets be used by the Western European Union" arm of the European Union, which France is keen to build up.

He also applauded the fact that some 19 countries had shown interest in forging "partnerships for peace" with Nato, though he said he recognised the desire for some central European countries to join Nato, a possibility about which France is not enthusiastic.

The spread of market economics was another essential means of integrating the wider Europe, Mr Clinton said. He appealed to western Europe to open its markets to goods from the east, because "if our new friends are not able to export their goods, they may instead export instability, even against their own will".

France has in fact modified its opposition to eastern European imports, partly in deference to its close ties with Germany a relationship which Mr Clinton also described as the linchpin of west Europe unity.

More daring was Mr Clinton's praise of the Gatt agreements, before a parliament that less than 18 months ago unanimously denounced US agricultural demands in the Uruguay Round negotiations.

"France played an absolutely pivotal role" in the negotiations, the president said. "I know it was difficult, I know it required statesmanship", he said, but it had now opened the door to economic growth and jobs. Mr Clinton reiterated that his goal was to get the Gatt agreements ratified by the US Congress this year.

Battle for Moscow moves from street to balance sheet

Leyla Boulton on the mayor's attempt to short-circuit privatisation

Moscow has become the site of a furious battle over privatisation in Russia.

Mr Anatoly Chubais, the privatisation minister, has called on the country's president and prime minister to "punish" the mayor of Moscow for "undermining the foundations of Russian statehood". He accuses Mayor Yuri Luzhkov, an old-style manager with a populist touch, of trying to replace the government's radical privatisation policies with his personal control over enterprises in the Russian capital.

In three weeks vouchers entitling every Russian citizen to a share of state property expire. Mr Chubais has launched his assault on Mr Luzhkov before the next stage of privatisation. From July 1, enterprises will be sold for money only and Mr Luzhkov wants to make sure that that money ends up in the city's coffers rather than those of the government.

Moscow is not only important as a showpiece of the government's reform policies, but the capital is a leading industrial centre in its own right. Despite claims by Mr Luzhkov that Moscow was among the top privatising areas, figures from his own office show that it was 20th in a list of 89 regions, having privatised less than half the companies it was supposed to have sold off under the government's programme.

Mr Luzhkov's "special" plan for privatisation in Moscow would enable the mayor's office – and that means the mayor because all important decision in the city administration are taken by him – to dictate what happens to enterprises after they are privatised.

This includes instructions that new owners would be entitled only to profits over and above those made by a company before it was privatised and that only the mayor's office would be able to decide whether enterprises could be bankrupted or liquidated.

Mr Luzhkov claims that enterprises auctioned off so far have been sold to speculators and that the government's ambitious sell-off of half of Russian industry has not yielded any benefits.

On April 1 Mr Luzhkov suspended the registration of joint-stock companies, a precondition for their privatisation according to the government's sell-off method. This has consisted of auctioning off enterprises for vouchers, as quickly as possibly, in order to get the state out of the economy while minimising opportunities for corrupt officials to decide who gets what.

At the end of last month, at Mr Chubais' request, Mr Victor Chernomyrdin, the prime minister, gave Mr Luzhkov a three-day deadline to resume the registration of joint-stock companies. But on Thursday last week, Mr Luzhkov suggested that the instructions were not to be taken seriously.

Last month, he suspended land sales in the capital, saying the government needed land to generate revenues for the city budget.

The main reason Mr Luzhkov has been able to get away with so much is political. Having been loyal to President Boris Yeltsin in all his conflicts with the Russian parliament, the mayor of Moscow is seen as an essential ally for any Kremlin ruler should the country's power struggle ever return to the streets of the capital.

Nor has Mr Luzhkov hesitated to take his struggle to the streets and to factory shop-floors. In a direct challenge to the government's policies, he gave Rbs30bn ($15m) to "save" Zil, an ailing Moscow truck manufacturer which had closed its gates for several weeks. While the government had proposed that Zil re-organise and use its land holdings to raise new capital, Mr Luzhkov, who always says the city is too broke to pay its doctors, teachers, and police properly, found no trouble financing support for Zil, which happens to be run by an old political rival of Mr Yeltsin's.

Mr Luzhkov, who rejects suggestions that he plans to run for president in elections scheduled for 1996, denies that his motives are political. He says simply that the government must take into account factors that make Moscow different.

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EUROPEAN NEWS DIGEST

BA to oppose French limits

British Airways is planning to challenge the French government in the European Commission in Brussels as well as through the French courts if it goes ahead with proposals to limit the size of aircraft and flight frequencies on services from London to Orly airport in Paris. Although BA will start operating services from London Heathrow to Orly on Monday, Sir Colin Marshall, BA's chairman, yesterday said that the proposed restrictions at Orly were "illegal" and would be challenged by BA. France bowed to European Commission and UK government pressure last month to open Orly to UK airline competition. But Mr Bernard Bosson, the French transport minister, said UK airlines would be restricted to four flights a day and that only larger aircraft with more than 200 seats could use Orly at peak morning and evening hours. He also said that BA and its French affiliate, TAT, would be regarded as one airline in terms of frequencies. Although BA intends to fly only four daily services to Orly this summer, it plans to operate extra flights this winter in defiance of the French proposal to limit frequencies from London.

Sir Colin also said BA would soon file an objection with the European Commission to French government plans to inject FFr20bn ($2.33bn) in additional state aid to Air France. *Paul Betts, London*

Air Inter calls second strike

Unions at Air Inter, the main domestic carrier in the Air France group, yesterday called their second 24-hour strike in three weeks in protest at the lack of "concrete" assurances at their pay and job security will not suffer as a result of new austerity measures for Air France. But the strike, called also to press Air Inter's case for more autonomy within the Air France group, was less widespread than the first one, halting about 50 per cent of flights yesterday. Meanwhile, the French government has warned the European Commission that if Brussels steps it injecting FFr20bn into Air France and thereby forces the airline into liquidation, the total cost to the French taxpayer would be even greater, amounting to FFr30bn. This was revealed by the Commission in its formal nouncement last Friday of an inquiry into the Air France deal, which Brussels said in view of the airline's debts and losses could not be equated with the "rational" decision of a private investor. *David Buchan, Paris*

Russian-Ukraine tensions ease

Tensions between Ukraine and its Russian dominated region of Crimea eased further yesterday when Kiev announced it would pursue a policy of flexible deadlines in response to Crimea's diplomatic concessions last weekend. Head of the Ukrainian negotiating team, Mr Volodymyr Bthutkevich, said that any actions against Crimea's pro-Russian leadership will be postponed until June 15, a date which could further delayed if negotiations continue to proceed productively. The initial breakthrough was achieved late Friday night when Crimean negotiators, many of whom have Aladvocated independence from Ukraine and reunification with Russia in the past, surprisingly backed down and signed a pro-Ukrainian communique.

In the communique, Crimea recognizes "the territorial integrity of Ukraine, of which Crimea is a part" and "the supremacy of the Ukrainian Constitution over all Ukrainian territory." The two sides, meeting on the Crimean peninsula, also decided to form a permanent joint working group to resolve their legislative differences. *Jill Barshay, Kiev*

Little progress at Bosnian talks

The leaders of Bosnia's warring sides yesterday congregated in Geneva for a second day of talks on a proposed ceasefire but did not meet face to face promising little hope of an agreement. After separate meetings with the rival leaders, Mr Yasushi Akashi, top UN official in former Yugoslavia, said the talks would be adjourned for a later date unless the main protagonists made a "real effort" towards an agreement. As both sides quarreled over how long the proposed truce should last, fighting was reported between Serb and government forces in northern Bosnia.

In Serbia, in a thinly-veiled attack on Bosnian Serb leaders, President Zoran Lilic of Yugoslavia, technically head of the Yugoslav federation but seen as a puppet of Serbian President Slobodan Milosevic, yesterday said his country will not be "dragged into war" and that "millions of Yugoslav citizens" in Serb-held areas in Bosnia "cannot be hostage to one leader". *Laura Silber, Belgrade*

Germany considers tax cuts

The German government appears to be considering corporate tax cuts in response to pleas from industry. A working on local authority taxes group comprising federal and local government officials had identified levies on working capital and operating profits as special burdens on industry, Mr Franz-Christoph Zeitler, state secretary in the finance ministry said yesterday. However, he rejected as "false" press reports that Bonn planned to increase value added tax to cover the loss of revenue. Mr Zeitler was responding to a story in Stern magazine, quoting from what it claims to be secret ministry minutes, that the government wanted to "clarify in principle the possibility of reforming corporate taxes." *Christopher Parkes, Frankfurt*

Reassurance by Dutch chain

Albert Heijn, the biggest Dutch supermarket chain, said yesterday that it would continue to sell Omo Power, a new generation of washing powder manufactured by Unilever, after receiving assurances about the detergent from the Anglo-Dutch consumer products group. The powder, called Persil Power in Britain, is at the centre of a highly public dispute between Unilever and its US rival Procter & Gamble, which has charged that the detergent damages clothing. Albert Heijn said it would compensate any customers who were dissatisfied with the powder if they could prove the detergent was bought in one of its 612 supermarkets. *Ronald Van de Krol, Amsterdam*

ECONOMIC WATCH

Setback for Spanish economy

An unexpected growth in imports halted the improvement in the current account of Spain's balance of payments in April. The monthly shortfall was marginally higher than the previous April at Pta222bn despite a sharp rise in income from tourism and other services. But the accumulated deficit for the first four months was still 30 per cent lower than the same period last year at Pta378bn (£1.82bn), according to provisional Bank of Spain figures. This reflected a 39 per cent upsurge in exports and an increased surplus from services and transfers. Tourists receipts were 20 per cent up. Some analysts believe that despite the latest figures this year could still produce a current account surplus, the first since 1986, the year of Spain's accession to the EU. Spain's gold and foreign currency reserves meanwhile decreased by $394m in May to $44.3bn, showing a total decline of $953m since the beginning of the year. *David White, Madrid*

■ Italy's retail sales index was up 3.4 per cent in February from a year earlier the state statistical institute, Istat, reported yesterday. In February, large retail chains registered a 3.8 per cent sales rise, while medium-sized retailers posted an increase of 1.6 per cent. *Associated Press, Rome*

■ New car sales in Spain rose by 31.6 per cent year-on-year in May to 67,712 vehicles, after a 7.2 per cent increase in April, according to provisional figures from the vehicle manufacturers association ANFAC.

■ Dutch consumer price inflation is expected to have remained stable at a year-on-year rate of 2.8 percent in May, according to a poll of bank economists.

Spain joins drive for EU 'great leap forward'

Quentin Peel reports from a German-Spanish summit designed to give impetus to European unification

Spain will join France and Germany in a co-ordinated drive in the European Union over the next 18 months to ensure that the 1996 conference on institutional reform – the *follow-up conference to Maastricht* – takes further clear steps towards European integration.

Chancellor Helmut Kohl of Germany, and Prime Minister Felipe González of Spain, both passionate believers in the process of European unification, committed themselves at their summit in Schwerin, in east Germany, yesterday to close co-operation in the planning process for the next European "great leap forward".

Spain will also be involved with France and Germany in carrying through a clear programme of EU priorities during their three consecutive six-month presidencies, beginning with Germany on July 1. That will include European-wide policies to tackle unemployment, new measures to support the emerging democracies of central and eastern Europe, and a parallel programme of assistance to the countries of northern Africa.

In spite of differences of detail on questions such as the German initiative for deregulation in the EU, and the borrowing powers of the European Commission, the German Christian Democrat and the Spanish Socialist leaders both stressed the overriding need to give impetus to the ideal of a united Europe in the wake of post-*Maastricht* disillusionment.

In several hours of tête-à-tête talks, , the two also sought to agree on a common slate of candidates for a whole series of top European and international jobs to be decided in the coming weeks, including the future president of the European Commission.

"He should be someone who can get things done, and who can persuade everyone to agree on common action," Mr Kohl said after a joint press conference in the Schwerin castle, former home of the grand dukes of Mecklenburg. He refused flatly to name any names, although he is widely believed to favour the candidacy of Mr Jean Luc Dehaene, the Belgian premier, against the rival candidacy of Mr Ruud Lubbers, the former Dutch prime minister.

Mr González has previously given public support to Mr Lubbers – before it became clear that Mr Dehaene was an alternative. He also maintains that the future commission president should be a former prime minister, which would rule out the candidacy of Sir Leon Brittan, the senior British commissioner in Brussels.

There is now speculation in Spanish circles that Mr González might switch his position in exchange for support for Mr Enrique Baron, the former president of the European parliament, to become the next secretary-general of the Western European Union.

At their press conference, however, the two government leaders insisted that there would be no public talk on the jobs list – which includes the secretary-generalships of Nato and the OECD, the European council of ministers, and the head of the future World Trade Organisation – until a deal was done at the forthcoming EU summit in Corfu.

"We both agreed that we would talk intensively with as many colleagues as possible in order to reach the greatest possible degree of unity on a name," Mr Kohl said. "It would not *help to discuss it in public.*"

Their message instead, only days before the European parliament elections, of their absolute common commitment to European integration, in spite of their ideological differences.

"From a European perspective, everything is allowed which positively influences European policy," Mr Kohl said after a day of bilateral consultations. "From my point of view, Europe includes the British isles," he added, apparently concerned that his ideas might offend the UK.

He said that the main themes of the forthcoming German presidency, which would now be developed in conjunction with France and Spain, would be the whole field of job creation and European competitiveness, extending the field of common foreign and security policies. They would also include developing common policies on immigration, law and order, fighting drug trafficking and organised crime, and "everything which belongs to the theme of preparing the 1996 conference to follow up the Maastricht treaty".

Friendship flourished because of González's loyalty, says Kohl

For Helmut Kohl and Felipe González, their meeting over the past two days in the faded splendour of Schwerin, the former capital of the grand dukes of Mecklenburg in east Germany, had clear symbolic significance, writes Quentin Peel from Schwerin. It was the first time the German chancellor had held top-level talks with a fellow government leader in east Germany. But it was more than that.

The extraordinarily good personal relationship between the two, the Spanish Socialist and the German Christian Democrat, has flourished precisely because Mr González was the only west European leader who unhesitatingly supported the German unification. For the German *chancellor, where his colleagues stood on* the question of unification has become a touchstone for personal relations.

It is increasingly clear that the failure of Mr Ruud Lubbers, the former Netherlands premier, to back the unification process four years ago, is the most important single reason why Mr Kohl is not supporting him to become the next president of the European commission in Brussels.

Mr Kohl spelt out his appreciation of Mr González' loyalty in glowing terms again yesterday. He pointed out how few those world leaders were, back in 1989 and 1990, who had been so postive.

In private, he names only four: Mr George Bush, the former US president; Mr Brian Mulroney, the former Canadian premier; Mr Mikhail Gorbachev, the former Soviet leader; and Mr González.

One significant exception is President *François Mitterrand of France,* who was clearly dubious about unification until late in the process. But the Franco-German relationship is too important to allow that to cause more than a shadow between the two.

The outright opposition of Mrs Margaret Thatcher, who was publicly cool and privately vitriolic about unification, has caused far more lasting bitterness.

Mr Kohl mentioned Mrs Thatcher's opposition yesterday, to underline his appreciation of his Spanish colleague.

"Some women colleagues have written it in their memoirs," he said. "If you read what Mrs Thatcher says, you can see she thinks it was all a terrible mistake. So you can see how important it was that Felipe González supported the process.

"You belong to those who, in many critical talks, explained again and again that German unity was not a thing for the Germans alone, but was a good thing for the Europeans, and for the free world," he told the Spanish premier yesterday.

Risk to democracy and world trading system

The Organisation for Economic Co-operation and Development (CECD) has laboured hard for two years to produce its jobs report.

And the document that was presented to the press and public yesterday is just the tip of the iceberg of its efforts. Some 50 pages long, it makes a deliberate attempt to avoid economic jargon. Perhaps because of this, it goes some way to making clear just how dangerous and damaging the current high levels of joblessness are in the industrialised nations.

The organisation says that 35m unemployed in the 24 nations covered in the report "represents an enormous waste of human resources, reflects an important amount of inefficiency in economic systems and causes a disturbing degree of social distress."

Underemployment in the form of involuntary part-time work, short time working and the discouragement of job seekers from looking for new employment could add 40 to 50 per cent to the jobless total.

"Today's unemployment is causing damage in ways that cannot be measured by the sheer numbers," the report says. "It brings with it unravelling of the social fabric, including a loss of authority of the democratic system and it risks resulting in the disintegration of the international trading system."

Although the report ducks the issue of a link between unemployment and crime, it notes that unemployment is associated with health problems, lowers self esteem, is demotivating and creates insecurity and resistance to organisational and technical change.

The central problem, according to the OECD, is an insufficient capacity among the industrialised nations to adapt to change. This must be rectified if the OECD member countries are to overcome the jobless problem.

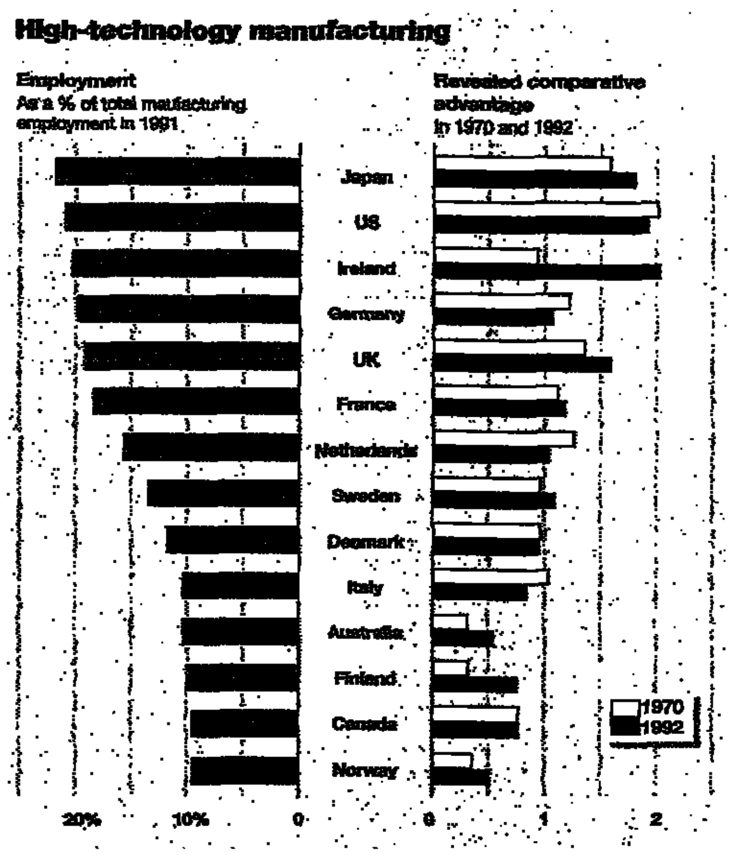
The study makes clear that Europe's weak employment growth but high productivity and the US experience of creating large numbers of low skilled, low productivity jobs over the past two decades are two sides of the same coin. Neither pattern of job creation is desirable. Only Japan has adjusted relatively well to such changes as globalisation and the spread of new technologies but it too is now having to deal with substantial problems.

The OECD stresses that Europe faces a much more difficult task than the US or Japan.

Europe has to deal with rigid labour markets, a failure to encourage entrepreneurship and private sector jobs, and social security systems that in many cases hamper the creation of new jobs.

Most European countries also have a poor record in the high-tech industries.

Although Germany and Sweden, along with Japan, are considered leaders on the use of information technologies for advanced manufacturing, most European countries have failed to increase the share of production and exports taken by high tech products. On this score,



Japan has been well ahead, creating a 4 per cent increase in manufacturing employment in the 1970s and 1980s. US manufacturing employment increased 1.5 per cent over the same period while in the European Union countries it fell by a fifth.

At first sight, the UK appears to have boosted its comparative advantage in high tech products But this reflected a fall in Britain's market share for low and medium tech products in the 1980s and not growth in its sales of high tech products.

The importance of adapting to new technologies explains why there is great emphasis on improving skills and life-time learning in the OECD's long list of policy recommendations. In this way, people can adapt to six or more job changes in a working life.

The report sets out to slay some misconceptions and the idea that there are any quick fixes. There is no evidence that technological change is destroying jobs. The idea of "jobless growth", popular a couple of years ago, seems wrong. It also takes issue with the idea that imports from low wage countries in Asia are responsible for much of today's unemployment. "In practice, most of the competition in OECD countries comes not from low-wage countries but from the OECD countries themselves."

The OECD's message is that change will have to be promoted throughout its member economies and societies to overcome unemployment. There can be no taboo areas: social security systems and labour markets and some cherished rights will have to come under review.

The report notes at one point that: "To many, change is wrenching." But in his introduction, Mr Jean-Claude Paye, the OECD secretary general, observes that trying to slow the pace of change "would only make delayed adjustment more painful".

Peter Norman

Jean-Claude Paye: faster pace of change needed

A 60 point strategy for putting people back to work

The OECD's jobs study has one unambiguous message: that high unemployment can only be tackled by restoring the capacity of economies and societies to adapt to change.

In trying to turn this goal into a practical strategy, the Paris-based organisation has produced around 60 specific recommendations. It has set out to design policies that encourage people to work and keep to a minimum the number of people who will have to rely wholly on the dole.

Not all policy ideas apply in equal measure to all countries. Most are addressed to governments, but the OECD says that in many cases action to increase employment lies with employers, trade unions and individual workers.

The OECD recognises that most governments are strapped for cash. In calling for appropriate macro-economic policies, it urges them to cut budget deficits and improve the quality of public spending.

To promote jobs growth, this means shifting resources from subsidising existing companies to encouraging new start-ups and moving from income support for unemployed to "active labour market measures" to get them back to work.

The specific recommendations on structural policy are given below in slightly condensed form and grouped under eight broad headings used by the OECD:

● **To enhance the creation and diffusion of technological know-how:**
Invest in the creation of new knowledge through basic scientific research and help companies gain access to such knowledge.

Promote and strengthen mechanisms for international co-operation to gain economies of scale and avoid duplication of R&D.

Reduce uncertainties that impair the creation and diffusion of new technologies. Measures could include promoting multilateral agreements on intellectual property rights and standards, introducing transparent rules on government support for strategic technologies and ensuring a sound legal framework for spreading know-how.

Ease the absorption of new technologies in companies through, for example, making better use of public procurement and removing regulatory barriers to new information infrastructures.

● **To increase working time flexibility:**
Remove obstacles in labour legislation that impede flexible working time arrangements.

Extend part-time work to the public sector.

Move from the household to the individual as the base for income tax.

Reduce or remove "non-neutral" fiscal incentives to early retirement of workers.

Realign policies to give older workers more opportunities to stay in work.

● **To nurture an entrepreneurial climate:**
Lower start up costs and simplify compliance rules to boost new company start-ups.

Help small businesses to grow by improving information and advice on such matters as business planning, equipment and access to training and R&D.

Identify and cut out unwarranted regulatory impediments to small businesses gaining access to credit.

● **To increase wage and labour cost flexibility:**
Reassess the role of statutory minimum wages as a method of redistributing incomes. If countries decide to keep a legal minimum wage to combat poverty, they should index it to prices rather than average earnings and ensure sufficient differentiation of wage rates by area and region to prevent minimum wages hitting youth employment or jobs in low productivity areas.

OECD UNEMPLOYMENT PROJECTIONS*

	1993	1994	1995
US	6.8	6.3	5.8
Japan	2.5	2.9	2.8
Germany	8.9	10.0	10.0
OECD Europe	10.7	11.7	11.8
Total OECD	8.2	8.5	8.3

*As % of labour force. Seasonally adjusted at annual rates. Source: OECD Outlook 55, to be published late June 1994

Reduce non-wage labour costs, especially in Europe, by cutting taxes on labour.

Reduce or remove provisions in the structure of tax and social security contributions that discourage hiring or part-time employment.

Reduce direct taxes on the low-paid where this would boost demand for workers, while protecting their incomes.

Refocus, as a medium-term measure, collective bargaining to cover framework agreements that would leave employers free to respond flexibly to market trends.

Introduce "opening clauses" that would allow collective agreements covering many workers to be renegotiated a lower level.

Increase competition in product markets through such means as deregulation and privatisation.

● **To reform employment security provisions:**
Prevent dismissals on unfair grounds but allow firings if needed on economic grounds.

Loosen mandatory restrictions on dismissals in countries (such as Spain) where they hinder new hiring.

Allow fixed-term contracts but keep the mandatory protection for such contracts relatively light.

● **To expand and enhance active labour market policies:**
Improve public employment services by integrating placement and counselling, unemployment benefit payments and management of labour market programmes.

Ensure benefit claimants stay in regular contact with employment service and eliminate employment service monopolies.

Maintain training for the jobless in economic downturns, but target training programmes in line with labour market needs.

Allow the labour market authorities to buy and sell training places for the unemployed and involve employers in design and execution of training programmes.

Target job creation measures at groups where unemployment could do great harm, such as long-term unemployed youths. Measures could include special employment subsidies for high unemployment groups. But pay on job-creation programmes should be low and training linked to temporary employment programmes in the public sector.

● **To improve labour force skills:**
Improve initial education. Measures could include provision of pre-school training for those from disadvantaged backgrounds, measures to reduce early school-leaving, greater involvement of parents in schools and better incentives to motivate teachers.

Improve school-to-work transition. Measures could include greater partnership between industry and schools, new forms of apprenticeship, new national skill standards, effective career guidance at school, a better balance between academic and technical and vocational studies and a "training wage" low enough to encourage companies to offer many training places.

Improve incentives for companies and workers to invest in continued learning. Measures could include training credits for adult workers or accountancy changes that would make the value of skills clear to companies and workers.

● **To reform unemployment and related benefit systems.**
Restrict unemployment insurance benefit entitlements in countries where these last a long time, to the period of intense job search.

Reduce the amount of dole where it is high relative to a claimant's previous post-tax income.

Restrict benefits of indefinite duration for employable people.

Limit support for collective short-time working to companies in temporary difficulty.

Adjust benefits to ensure low-paid workers are better off when in work, that spouses of the unemployed have an incentive to take part-time work, and that long-term unemployed only receive benefit if they take part in "active labour market programmes".

Improve information about claimants available to the employment services.

Make employers pay some of the cost of lay offs.

Attack benefit fraud.

Keep a local financing element in assistance benefits to discourage the view that benefits are costless to the local economy.

The OECD Jobs Study. Subscription details from OECD Publications, 2 rue Andre'-Pascal, 75775 Paris Cedex 16.

Peter Norman

Rejecting the unthinkable and the unacceptable

An earlier version of this year's OECD report linked long-term joblessness with the rise in crime and drugs abuse

The OECD jobs study is like a Rorschach ink blot, in which different people see different things, says Mr Robert Reich, the US labour secretary.

Mr Reich was responding to questions about whether the political tone of the document had changed since its earlier, January, draft. The US labour secretary believes it has not changed significantly but, from long experience of OECD reports, he knows that there is something in it for everyone.

The OECD has always been a strongly pro-market organisation but it is broad enough to reflect a spectrum from relatively interventionist social market ideas to purer free market ones.

This report has certainly been through various mutations. Last year, at the instigation of Mr Jean-Claude Paye, the OECD secretary-general, OECD economists were invited to "think the unthinkable" about whether unemployment could be reduced by fiscal expansion, protectionism or even reducing the pace of technological change.

Not surprisingly, such approaches were rejected. And the final drafts have emphasised the "middle-way" – combining labour market flexibility with efficient welfare to work measures and improved training – which forms the new consensus running through the Detroit Jobs Summit earlier this year, Mr Jacques Delors' European Union white paper of last December, and even the recent Mais lecture by Mr Kenneth Clarke, UK chancellor.

There have been a few minor changes in the past few months. The January draft explicitly linked long-term unemployment to rising levels of crime and drug abuse and also called for higher taxation on capital to off-set reductions in non-wage labour costs. Neither point has found its way into the final draft.

On the other hand the scepticism towards levies on employers to generate a higher level of training has also disappeared and training levies are listed as one of the possible routes to a better trained workforce.

There is certainly plenty for the UK government, towards the free market end of the spectrum, to welcome in both the January draft and the final version.

The micro-economic stress on flexibility – with qualified hostility towards strong employment protection legislation and minimum wages, and a relatively draconian approach to unemployment benefit – fits with the government's de-regulatory approach.

The UK's Family Credit benefit for the working poor is also explicitly praised and the passage on public employment services could have been written in the UK's department of employment.

Agricultural subsidies in the industrialised world barely declined last year in spite of government pledges to reduce them, the OECD reported yesterday.

In its latest annual review of agricultural policies and trade, the OECD estimated that combined transfers to agriculture from consumers and tax payers in its member countries fell by less than 1 per cent to just over $335bn last year compared with 1992.

The OECD said the reform of agricultural policies in its member countries had been "limited and uneven".

Total farm support increased last year in the US, the European Union and Turkey and was little changed in Finland, New Zealand and Switzerland. Farm support, measured in national currencies, fell elsewhere in the OECD.

One other aspect of policy singled out by the OECD – low non-wage labour costs – is something which the Conservative government cannot claim credit for as Britain has always paid for welfare through general taxation rather than through pay-roll taxes.

And UK government economists did have some worries particularly on the vagueness about who pays for the ambitious training plans and about the idea that employers should pay something toward the cost of lay-offs.

Those closer to the social market end of the spectrum – including most trade union centres, left of centre political parties and the EU – welcome the stress on social consensus, lifetime training, and the critique of the social consequences of the US labour market model.

Mr John Morley, head of the employment task force at the European Union, said: "The OECD places a slightly different stress but the basic message is very similar to that of the Delors white paper. Both documents stress that there are disadvantages and advantages in all models, policy is about steering a path through these things."

But Mr Morley, in an implicit criticism of the UK government, adds: "The real challenge is to avoid the burden of job creation being borne only by those in the weakest position in society." He believes that the OECD report, with its stress on avoiding social exclusion, will help in that cause. The study certainly stresses that labour market dynamism must be combined with social objectives but they must be designed in ways that do not have job-killing side effects.

The danger for the OECD in being all things to all men is that governments and lobby groups will simply pick out what they want in order to reinforce what they are already doing.

David Goodhart

Cheap flowers grow out of a long recession

Japanese are increasingly price conscious, reports **Michiyo Nakamoto**

On any typical Sunday, a strip along Route 246 just south of the Tama river is lined with cars blocking the traffic heading out of Tokyo to the countryside.

The congestion is caused by shoppers who come to World Flower, a discount flower shop, in search of potted lilies, roses and orchids which are sold at 50-80 per cent discounts on retail prices seen in the countless, independent flower shops throughout the country.

Back north across the river, a men's apparel shop advertises T-shirts for Y490 (£3.12), one-tenth the price at a posh Tokyo department store.

Gone are the days when high prices were assumed to equate with better quality and stores competed to flaunt extravagance. Instead, value-for-money is what today's consumers look for; bargain-hunting has become acceptable.

"Consumers have become very sensitive to prices, there is no doubt about that," says Mr Hideaki Yajima at Jusco, a leading supermarket operator.

The Japanese media is calling it a revolution in values, as consumers discover for the first time that the high prices of goods, many of which have long been fixed across the nation, can actually fall as a result of market forces.

While the greater price-consciousness has its roots in the country's long recession, it has been sanctioned by recent government pronouncements on the need to bring down Japan's high consumer prices.

Earlier this week, Prime Minister Tsutomu Hata pointed to the huge differentials between prices in Japan and other industrialised countries, and called for government action to reduce the disparity by half, mainly by deregulating markets and improving access to imports.

His stance echoes Japanese government policy in the mid-1980s when foreign pressure on Japan to reduce its current-account surplus by stimulating the domestic economy led to similar railing against Japan's *high prices and calls for* deregulation and market-opening steps. But this time, developments in the market place and social changes are making it likely the trend towards lower prices will run deeper and wider than before.

Apart from the large number of discounters sprouting throughout Japan, supermarkets are going all out to cut prices to remain competitive. They are developing their own-brands and relying more on imports, often cheaper than domestic products.

The spread of low-priced imported goods has hit the prices of domestic goods. The popularity of low-priced imported beer has been a factor behind a recent price-war involving domestic beer, formerly sold at the same price everywhere in the country.

Aggressive price-cutting by retailers has more than wiped out a recent rise in the beer tax and Jusco says beer sales went up 30-50 per cent last month as a result.

A survey by the Ministry of International Trade and Industry shows the prices of many goods are actually lower than conventional retail price figures would suggest, as a result of widespread price cuts and the growing availability of low-priced goods.

At the same time, consumer perceptions about what constitutes a reasonable price for products have changed dramatically since the bubble years when people thought nothing of paying Y1,000 for a 100-gramme steak or a bouquet of three roses. Spreading awareness among the Japanese public that cheaper imported goods are just as good as those made at home has helped change views of how much certain goods should cost.

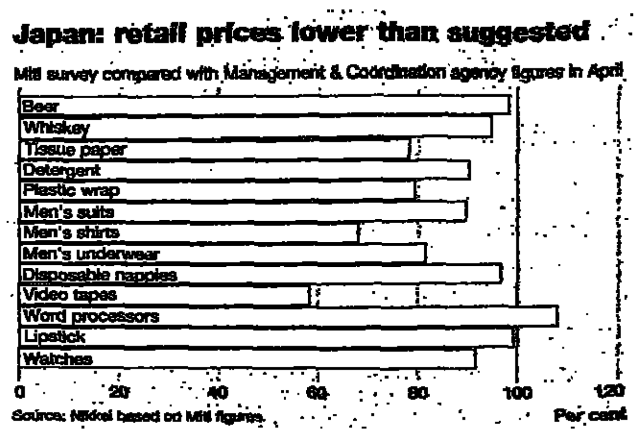
With a record number of Japanese travelling abroad, there is also a wider familiarity with overseas prices and a greater reluctance to pay more for the same goods at home. Another development likely to ensure the trend for lower prices sticks is the change seen among Japanese manufacturers.

Japanese brewers are tying up with foreign partners in a bid to lower their costs. Hitachi, the electronics company, is considering launching a range of low-price consumer electronics with simpler functions, allowing the company* to reduce costs.

Car makers such as Toyota are also launching value-for-money cars which have trimmed the fancy gadgets to reduce costs. "Lower prices are no longer just a passing trend," asserts Mr Yajima. "They are common sense."

Japan: retail prices lower than suggested

MITI survey compared with Management & Coordination agency figures in April



Source: Nikkei based on MITI figures

Bright spots seen in Japan

By William Dawkins in Tokyo

The Japanese government's Economic Planning Agency yesterday slightly upgraded its outlook, saying the economy remained stagnant overall but showed some emerging bright spots.

The agency's change in tone in its latest monthly report comes a day after the Organisation of Economic Co-operation and Development upgraded its forecast for the Japanese economy, from 0.5 per cent to a still weak 0.8 per cent growth in GDP this year. Last month the EPA said the economy was generally sluggish, in a record 37 months of decline.

The OECD and EPA's changes reflect the gradual impact of previous governments' four economic stimulation packages, worth Y45,000bn ($428bn) over the past 18 months.

The EPA highlighted a smaller-than-expected fall in *industrial production in May* as a bright sign. "It is too early technically to declare the economy has reached bottom, but my impression is that it has," Mr Yoshio Terasawa, EPA director-general, said.

This latest EPA survey adds weight to market expectations that the Bank of Japan's Tankan quarterly study of business confidence, the country's most authoritative indicator of the short-term economic outlook due out on Friday, will show a broad improvement.

Over the past few months, the EPA has used more pessimistic language to describe the *economic outlook than most* private-sector forecasters, yet at the same time stuck to an official forecast of 2.4 per cent GDP growth this year, seen by most private-sector economists as unachievable.

But Mr Hirohisa Fujii, finance minister, yesterday said the government must seek to hit the official target by passing this year's budget and implementing steps to stimulate demand, such as the one-year income-tax cut agreed by the last government.

The budget for the year starting in April, delayed by Japan's internal political wranglings, is expected to clear parliament this month.

New stimulus packages or monetary measures will be unnecessary, so long as the budget is passed, Mr Masaru Hayami, head of the Japan Association of Corporate Executives, said.

Dalai Lama urges west to back Tibet

The Dalai Lama, concerned about mounting pressure on him to abandon a policy of non-violence towards Beijing, appealed to the west yesterday to try to influence China about *the future of Tibet*, Reuter reports from Brussels.

Addressing Belgian MPs during a *three-day visit to Belgium, the exiled* Tibetan spiritual leader said he had failed so far to get anywhere with *China.*

"In Tibet some people think we should use more violent means. This (view) may even be growing, but I do not think this is the right approach," the 1989 Nobel Peace Prize winner said. "I want you to use all of your influence to make sure that the Chinese government accepts negotiations with the Tibetans," he said.

The Dalai Lama has sought talks with Beijing since 1979 when paramount Chinese leader Deng Xiaoping said that "except for the independence of Tibet, all other questions can be negotiated". He has proposed that Tibet be given internal autonomy with China looking after foreign policy and defence.

The Dalai Lama told the MPs he *would like to hold a referendum to* find out if non-violence still had support among his followers.

The Dalai Lama said he was not interested in entering politics in Tibet, pointing out that many Tibetans would have problems accepting a religious leader as a politician.

Pakistanis warned of sacrifices

Farhan Bokhari reports on the background to tomorrow's budget

Government leaders including the prime minister, Ms Benazir Bhutto, have warned Pakistanis to be prepared to make sacrifices, for the sake of long- term growth, when the annual budget is unveiled tomorrow.

The budget, for the fiscal year beginning on July 1, follows economic growth of about 4 per cent, up from 3 per cent the previous year but below the target of 7.4 per cent. Official estimates show the inflation rate at 10.5 per cent, again an improvement on the 11 per cent of the previous year *but above the government's target of* 8 per cent.

Exports and imports have both fallen and the agriculture sector, which makes the largest contribution to the economy has grown by only 2.6 per cent, largely because of the destruction of more than a third of this year's cotton crop by a virus.

However, there are some brighter spots. The government claims that this would be the first year in almost a decade that the budget deficit would remain within its target, in this case 5.4 per cent of gross domestic product, following several years of rampant fiscal indiscipline. This compares with *nearly 8 per cent in the previous year.*

Foreign exchange reserves have risen to almost $2bn from last summer's low of below $300m.

Independent economists say improvements in the budget deficit and the reserves are important positive factors for international financial institutions. Earlier this year, Islamabad signed loans worth $1.36bn with the International Monetary Fund and agreed to accept conditions including lower bank borrowings by the government, improvement in reserves and a lower deficit.

Bhutto: added pressure to weigh defence needs AP

"Our key priority is to attain macro*economic stability. We consider it a* prerequisite for future growth," says Mr V.A. Jafarey, the prime minister's adviser on finance, who is *de facto* finance minister. "We consider that previous attempts at accelerating growth failed because macroeconomic stability was not ensured."

Among planned measures are a widening of the scope of the existing general sales tax in order to boost revenues. The government's intention to lower tariffs over the next three years is forcing the country to wean itself from reliance on duties on exports and imports. "We have to find ways to *tax consumers and also encourage* industrial growth as well as trade," says a senior official.

Some businesses have already begun opposing the move, arguing that with a large black economy and smuggling flourishing, only legitimate businesses would be hit hard by the sales tax which would mean higher prices at retail outlets.

Last year, a parliamentary committee found that up to Rs100bn ($3.34bn) worth of smuggling takes place each year. In addition, some businesses argue that with large scale corruption in the tax department, the new tax would provide further opportunities for bribery.

Mr Tahir Khaliq, a businessman and former president of the Karachi Chamber of Commerce and Industry, claims that items which are taxed end up being sold at a price of up to 50 to *60 per cent higher than smuggled* goods. "If the tax collector is not honest, people take advantage of that and misuse the system," he says.

Mr Haroon Rashid, president of the KCCI, wants the "unorganised sector" – a reference to the black and informal economy, to be taxed like other businesses so that the sales tax would be considered to be fair.

Other issues related to the country's macroeconomic structure are also being debated. Almost two-thirds of the budget goes towards debt servicing and funding the defence forces. The recent decision by India, Pakistan's arch enemy, to raise its defence *budget by up to 20 per cent has put* added pressure on the government of Ms Bhutto to look closely at the country's defence needs. However Ms Bhutto said this week that Pakistan would not try to match the Indian defence budget increase.

Boom time for smugglers, Page 7

Middle East and Gulf growth rates halve

By Mark Nicholson in Amman

The overall growth rate for the economies of the Gulf and other leading Middle Eastern states more than halved in 1993 from its level the preceding year, slumping to an aggregate 3.5 per cent from 6.8 per cent, according to a newly-published report by the Economic and Social Commission for Western Asia, the Amman-based United Nations agency.

The ESCWA study, which covers the seven Arabian Peninsula states and Egypt, Iraq, Jordan, Lebanon, and Syria, lists low oil prices, poor export performances, continued sanctions on Iraq's economy, political uncertainties in Egypt and Yemen and "the generally depressed state of regional co-operation" as the chief factors in the decline.

Only two states, Yemen and Qatar, recorded negative growth rates in 1993, the report says, but weak oil prices helped cut aggregate GDP growth for the Gulf Co-operation Countries (Saudi Arabia, Kuwait, Oman, Bahrain, Qatar and the United Arab Emirates) to a rate of 3.3 per cent from 7.5 per cent in 1992.

More positively, the report notes that economic reforms "gained momentum", particularly in Jordan, which recorded 6 per cent growth in 1993 and where both inflation and unemployment were substantially reduced, and Egypt, which the report says showed growth the same year of 1.8 per cent. But it says delays in Egypt's implementation of reforms and disagreements with the IMF and World Bank have had a "negative impact on economic growth and the state of investors' confidence".

The report also notes the positive effects of Lebanon's stabilisation policy – which it calls "implicitly in line" with IMF recommendations – and Syrian policies which, it says, are "aimed at gradually opening up and deregulating the economy". Both Lebanon and Syria showed improved growth in 1993 over 1992, the study says, with rates rising to 7 from 5 per cent and to 6 from 5 per cent respectively.

However, it says that generally positive growth rates have failed to arrest increasing discrepancies within the countries it covers: "The majority of the poor and rural population continues to be deprived and marginalised in most countries of the ESCWA region."

It notes, in particular, that despite Jordan's relatively high growth rates in 1992 and 1993, the number of families falling below the poverty line has nevertheless risen to 21.3 per cent of households in 1993 from 18.7 per cent in 1989.

The report estimates the total external debt of the ESCWA region to have grown to $186bn (£124bn) from $180bn over the period, representing 62 per cent of aggregate GDP in 1993. And while it says Egypt and Jordan, in particular, have recently improved the terms of their debt repayment, the report notes the region's external debt constituted 11.5 per cent of total developing country debt, while exports of goods and services from the region comprised just 5.6 per cent and 6.2 per cent respectively of the aggregates for developing countries overall.

The ESCWA study also indicates the continued inertia in the development of inter-regional trade, flows of which it says fell slightly in 1993 to just 10 per cent of the total for the countries covered.

Jordan shuffles cabinet as peace talk hopes grow

By James Whittington in Amman

Jordan yesterday announced a cabinet reshuffle in expectation of a fresh phase of peace negotiations with Israel. Prime Minister Abdel Salam al-Majali is expected to keep his post but officials say new faces will be brought into other key positions to "reinvigorate" the government and its efforts in the peace process.

The change came amid optimism from the Jordanians that a breakthrough in its peace talks with Israel was imminent. On Monday, Jordan and Israel restarted direct talks in Washington on their peace agenda signed in September last year.

Officials in Amman said they expected the two sides to agree to set up a joint committee to examine the countries' land dispute. The border between Jordan and Israel has never been formally recognised: both sides are said to see the need to settle territorial issues before moving to others such as water, economic co-operation and refugees.

It was not clear last night who would appear in the new cabinet. The lower house of parliament has been calling for representation of MPs at cabinet level, as in previous governments, but a former minister said this "was doubtful".

The last cabinet reshuffle came after the kingdom held its first multi-party elections last November. Since then, the government and parliament have had frequent stand-offs. The cabinet has come in for criticism over its handling of talks with the Palestinian Liberation Organisation on future economic ties between Jordan and the West Bank.

One former prime minister, Mr Ahmad Obeidat, said the old cabinet lacked clear policies; he blamed its members for the uncertainty in the kingdom. The new cabinet, it is hoped, will be able to restore confidence in the peace talks.

Bombed Aden goes about its business

By Eric Watkins in Aden

Two north Yemeni warplanes hit the Aden oil refinery with cluster bombs, sending a massive column of black smoke and flickering orange flame hundreds of feet into the air.

The attack, on Sunday, was the third and most intensive air raid on the city in a week and brought home forcefully the war that has raged out of view for more than a month. But Adenis, like many other people under fire, are not cowering. They are angered by the attacks on their homes and most remain determined to resist what they perceive as aggression from the north.

Aden is a sprawling town, its population of half a million clustered in and around the barren rocks of ancient volcanoes. The heart of the place is Crater, a veritable melting pot of races and nationalities that teem through its sweltering streets.

Up Bazaar Street merchants are selling everything from boxes of Ribena to bottles of exclusive French perfume. On the pavement, intent young men work with small screwdrivers and tweezers, repairing watches while you wait. There is no sign of anxiety as people saunter to and fro in search of bargains.

In Maala, another district of the town, people have been without water for five days. No one knows quite why, nor do they stop to wonder about it much. Children in their hundreds are on the streets with bright yellow plastic bottles and make-shift wheelbarrows, dispatched to water wells dug in the streets. Two boys race, laughing as their empty yellow bottles tumble on to the road.

"Yes, we are having problems. The military has commandeered our buses and that makes getting to work difficult," says one office manager in the Tuwahi district.

"But we come as we can and do what we can. We are not afraid. We are sure that our defences will hold. We are very proud of what they have done so far," he says.

It is more than a month since north Yemeni military forces began their drive on Aden and other parts of the south. General Ali Abdullah Saleh, the northern leader, has since frequently boasted of arriving in the city to chew *qat*, the privet-like leaves everyone in the land munches to keep awake in the afternoon.

"General Saleh has made many appointments, but he's so far failed to arrive," notes a secretary.

About 20 miles north of the city, a dozen southern troops settle down for lunch. It is rice and grilled chicken, spread in huge platters on the concrete floor. They lean their AK-47s against the walls and begin to take their food by the handful. Northern artillery shells rip through the air, crashing nearby. The soldiers continue their meal, barely looking up as the walls shake around them.

Last week one of the most ferocious battles of the war was fought here, the burned out remains of a southern army camp only the most visible sign of the struggle.

But there are more ghastly reminders. Southern troops point to the corpse of a northern soldier, his face respectfully covered in a chequered headcloth. Other corpses of northern soldiers are buried en masse in makeshift graves alongside the road. The stench of death rises from the road where southern troops stand ready for a new northern offensive.

"Our defences will hold," says a spindly old man in Crater. Perhaps they will. Northern troops massed to the east have been held off for nearly six weeks, as have other soldiers driving in from the north and west.

Smoke still rises above the refinery, a reminder of the north's destructive power. But southern pilots, defying incoming northern shells, continue their sorties, taking off with clockwork precision every 10 minutes throughout the morning.

Meanwhile, traffic in the city carries on in an orderly manner, directed by policemen wearing pale green uniforms and sparkling white hats.

Southern Yemeni warplanes bombarded northern forces yesterday morning, hours after a ceasefire by the north took effect, a top northern official said, AP reports from Sanaa. Planning Minister Abdul Karim el-Eryani declined to say whether the bombardment meant the north would now consider the ceasefire invalidated.

'Truth commission' to be set up

S African rights probe planned

By Patti Waldmeir in Johannesburg

The South African government is to set up a "truth commission" to probe human rights abuses under apartheid, but those who prove their crimes were politically motivated might be pardoned, Justice Minister Dullah Omar said yesterday.

Mr Omar said the commission of eminent and respected South Africans would examine abuses by the previous white-dominated government as well as by his own African National Congress (ANC), now the leading party in the coalition government of national unity.

"The fundamental issue for all South Africans is to come to terms with our past on the only moral basis possible, namely that the truth be told and that the truth be acknowledged," he told a Cape Town press conference. "We cannot forgive on behalf of victims. The identity of the victims and what happened to them and the identity of perpetrators must be made known."

However Mr Omar left many important questions unanswered, including whether the commission would hold public hearings, whether its findings would be published and whether those who committed abuses would have their identity concealed in the interests of national reconciliation. No decision had yet been taken on these issues, he said, and no definition of a political crime had been agreed, though he said persons who committed "heinous crimes" might not be considered for pardon.

This was understood to be a reference to the convicted murderers of former ANC leader Chris Hani, assassinated last year in the country's most notorious political killing. Mr Omar said some 13,000 people had already been pardoned for offences ranging from membership of an illegal organisation to racially motivated massacres, most of them from the black liberation movements.

Omar: questions unanswered

In future, amnesty would be linked to the acknowledgement of human rights violations.

Human rights monitors say tens of thousands of people including children were tortured and detained without trial and hundreds killed under apartheid. No amnesty would be considered for offences after December 5, 1993, when the final round of multi-party democracy talks began. Omar said the commission would sit for up to two years.

Kashmir gunmen kidnap Britons

By Alexander Nicoll, Asia Editor

Two Britons, including the 16-year-old son of a former Financial Times correspondent, have been kidnapped in Indian-held Kashmir by Moslem militants demanding the release of three jailed guerrillas.

The gunmen set upon Mr David Housego, former New Delhi correspondent of the FT and now a Delhi-based businessman, his wife Jenny and younger son Kim as they were trekking on Monday with Mr David Mackie, a British video director.

Kim Housego and Mr Mackie, who is 36, were abducted. Mr and Mrs Housego yesterday returned to Srinagar, summer capital of the Indian state of Jammu and Kashmir, and contacted the authorities.

The Indian army was alerted and photographs of the captives distributed. However, there was no indication of any contact between the Indian authorities and the militants.

Mr Housego said the captors appeared to be mostly Pathans who spoke both Pashto and Urdu, suggesting that at least some of them were from Pakistan. He was given a note in Urdu demanding the release of three men who are known to be members of the Harkatul Ansar militant group, including its leader, Mr Mohammed Sajjad. All are in Indian custody.

Some Pathans, who live in north-western Pakistan and Afghanistan, have joined Kashmiri Moslems in their rebellion against Indian rule in Kashmir, where most of the population are Moslems. Thousands of people, including many civilians, have died in fighting over the past four years.

The Foreign Office, which was last night monitoring the situation, said the British High Commission in Delhi was planning to send an official to Srinagar.

Mr Housego left the FT in 1992 to establish a Delhi-based textile manufacturing and export business.

UK seeks to reverse toy import curbs

By Guy de Jonquières, Business Editor

The UK Department of Trade and Industry has taken the EU Council of Ministers to the European Court of Justice in an attempt to annul the Council's decision earlier this year to place stringent quotas on imports of teddy bears and other toys from China.

The DTI's legal action follows complaints by European toy importers that quotas are severely damaging business. Though Britain opposed the decision to impose the curbs, it was outvoted by 11 to 1.

The European Commission, which drew up the original quota proposals, said it was "surprised" by the legal action, because ways were already being sought in Brussels to soften the impact of the curbs on the European toy industry.

EU member governments regularly challenge Council decisions in the court after they have been overruled.

But legal experts said the DTI action was most unusual because it did not allege that the Council had misused its treaty powers.

Instead, the DTI argues that the Council "failed to exercise discretion properly" by ignoring objections from European toy manufacturers. It also says an EU-wide quota was unnecessary, because only Spain had demanded protection against toy imports from China.

Toy Manufacturers of Europe, the main industry association, said the quotas would cut EU toy imports from China this year by about Ecu 1.8bn at manufacturers' selling prices to half the level forecast before they were inposed in February.

It said that at least 500 jobs would be lost in Europe and that toy manufacturers, many of whom sourced products and components in China, would suffer falls in sales and profits.

The association said that though it had lobbied all 12 governments before the decision was taken in February, the Council had acted without taking account of the damage the import curbs would cause.

The curbs mainly affect stuffed animals, non-human figures and die-cast vehicles.

Boom time for smugglers' paradise

Farhan Bokhari on the contraband business on Pakistan's border with Afghanistan

Mr Mohammad Shafi leans across his shop counter and points towards a small 'Peacock' brand Chinese television lying in a corner.

"You won't ever get it as cheap as here" claims the sturdy, tall tribesman, whose shop is lined with a large variety of electronic goods such as air conditioners, refrigerators, stereo equipment and fancy electronic telephones.

Mr Haji Mohammad, another shopkeeper nearby shouts at two of his assistants, who are off-loading a fresh consignment of electrical goods which arrived in a truck before sunrise, using a mountainous track to conveniently evade police check-posts along the road leading to the border. Mr Mohammad wants the consignment of refrigerators to be placed neatly outside his shop before customers arrive.

Both shopkeepers are among hundreds of businesses at Hayatabad market outside Peshawar, Pakistan's northern frontier town, whose fortunes have risen as smuggling has flourished in this country in the past 12 to 15 years.

The market has much more to offer for all clients such as expensive crockery, unstitched cloth, Italian shoes, perfumes from Paris and even aphrodisiacs neatly packed in tiny square boxes with instructions in Chinese and Russian, hidden under labels in English.

The market and other similar sites across the country are catching the eye of a growing number of businesses who are opposing the government's plans to introduce a VAT-style general sales tax.

At a time when markets such as Hayatabad freely sell goods without charging any addition taxes, other businesses say the sales tax would break their back because it would further encourage their clients to buy smuggled goods.

"Whichever government has come, the menace of smuggling has only grown," laments Mr Tahir Khaliq, a top businessman in Karachi, Pakistan's southern most city and the country's business capital.

In over a year, one of Mr Khaliq's company has produced just over 1,000 'Peacock' televisions, although he had initially planned to assemble and sell twice that many.

Mr Khaliq traces his troubles back to a place such as Hayatabad, over 1,600 km away, where shopkeepers can easily beat his prices.

"Our customers are being offered the same goods at up to 60 per cent of our price, and the goods are even delivered at their doorsteps," claims Mr Khaliq, referring to the well-organised smuggling trade, reputed to have an annual turnover of Rupees 100bn (£2.18bn).

The smuggling business flourishes in part due to widespread corruption in the police and taxation departments. Moreover, Pakistan's agreement to provide transit facilities for imports by businesses based in neighbouring Afghanistan is widely abused.

Yet, companies in remote places there place orders for a large number of refrigerators, freezers and so on. "Why is that so," asks a senior government official. He says Pakistani smugglers in collusion with Afghan businesses take the imported items to cross the Afghan border using the transit facility, and then bring them back using remote mountain tracks.

Privately, senior officials say the government is considering ways to curb the traffic in items for which there is little or no demand in Afghanistan. But it has to act fast and finalise its proposals before next summer, when a 30-year-old bilateral trade agreement comes up for renewal.

But the same officials also acknowledge that a solution is difficult, especially as Islamabad does not want to erode its diplomatic influence over Afghanistan, which it has gained since it began backing the Islamic mujahideen resistance to the Soviet occupation in 1979.

Tribesmen shop for refrigerators, televisions and air conditioners at Hayatabad market outside Peshawar in northern Pakistan. All the items for sale are smuggled goods

UK wins big HK contracts

The building boom in Hong Kong shows little sign of slackening for British companies with the award of two further orders for construction on projects worth a combined £110m, ($165m) writes Andrew Taylor, Construction Correspondent.

Tarmac in a joint venture with Kumagai Gumi, the large Japanese construction company, has won a £55m contract to design and built a new rail tunnel under the harbour linking Hong Kong island with the West Kowloon peninsula.

The project, involving a ¾ mile, twin-track immersed tube tunnel, will form part of a link with the new airport at Chek Lap Kok near Lantau island. Work on the tunnel is to start immediately and is due to be completed early 1998.

Taylor Woodrow, another UK group, in a separate deal, has won the contract to manage the £60m redevelopment of Kowloon station, from the Kowloon Canton Railway Corporation.

$200m VAT loss from piracy

West European governments lost at least $200m (£133m) in 1993 through VAT avoidance because of computer software piracy, according to figures published this week, writes Alan Cane. Their losses were small, however, compared with those of the major software companies who conservatively lost a total $737m according to the Software Publishers Association, with a further $436m lost by software distributors and retailers. The total loss of $1.3bn comes close to equalling the $1.6bn of software sold legitimately by software publishers in western Europe last year.

The SPA comprises most of the world's major software houses, principally US-owned, including Microsoft, Lotus and Apple. It has been campaigning vigorously against counterfeiters, securing court orders to enter offices and confiscate suspect disks and computers.

EU trade boost for South Africa

The European Union said South Africa would be admitted to the generalised system of preferences shortly and a range of other accords with the country, including a formal trade treaty, were likely to follow soon afterwards, writes Mark Suzman in Johannesburg.

Earlier this week Mr Erwan Fouéré, the European ambassador, said he expected South Africa to be added to the GSP, a concept developed by the UN Conference on Trade and Development.

Under it developing nations are granted virtually tariff-free access to the European market for manufactured and semi-manufactured goods, within the next month.

EU foreign ministers agreed in principle to the move in April but waited until after the elections to formalise it.

Mr Fouéré also said that the EU had already made representations to the new South African government on a future trade agreement and be expected a final deal to be reached relatively quickly.

Way clear for Philippines debt talks

By Nancy Dunne in Washington

The International Monetary Fund will grant the Philippines a $630m (£418m) "exit facility" by the end of this month, enabling it to start on debt negotiations with the Paris Club of creditors, according to Mr Rizalino Navarro, the Philippines trade and investment secretary. "Then we'll be on our own," he said.

Although soft loans will still be needed, the country's coffers are flush with foreign exchange. Reserves are at a high of $7.2bn and the equal of four months of imports which, he says, is "getting on the high side".

Galvanised by the country's widely praised fast-track power programme and a new enthusiasm of the capital markets, Mr Navarro was in Washington to guard Filipino interests in the Generalised System of Preferences which gives tariff-free status to selected imports from developing countries.

The US has also removed the Philippines from its "priority watch list" of countries whose laws or enforcement of intellectual property statutes are lax. This paves the way for increased high technology production facilities, Mr Navarro said.

The government of President Fidel Ramos has moved on several fronts to boost trade and investment. A new law expands the scope of permissible build-operate-transfer deals.

The previous concentration on energy and transportation has been expanded to include solid waste management, information technology, data base networks, health and education facilities, and any infrastructure project authorised by the government.

It is also comprehensive in the types of arrangements permitted. A public utility franchise requires that 60 per cent of equity in the operating corporation must be domestically owned. However, among new options, foreign companies can now build a facility, lease it and transfer it or rehabilitate a project, operate it and transfer it.

The previous 12 per cent ceiling on equity returns has been replaced by a "reasonable returns" requirement to be set by market conditions.

The impact of the law, along with a new valued added tax, has been to spur project approvals from $3.5bn last year to $9bn in the first five months of this year.

Banking legislation, signed by President Ramos two weeks ago, is also expected to boost trade and investment. It will allow the entry of 10 new foreign banks to the country - four others have been there for more than 50 years when the door to new entrants has slammed shut.

"There is a lot of interest from the US, Japan, Europe and other Asian countries," Mr Navarro said. Banks usually bring their clients, who bring more investment and facilitate trade.

The hope is that the new capital and foreign competition will drive down interest rates nets, now at 18 per cent for borrowers.

Separatists warn Quebec institutions

By Bernard Simon in Toronto

Quebec separatists have caused controversy in Canada's investment community over the past week by threatening to withdraw business from banks and securities firms which draw attention to the economic costs of a possible breakaway by the francophone province.

The threats come amid nervousness in financial markets about the forthcoming Quebec election, which is expected to be held in September.

The separatist Parti Québécois (PQ) is well ahead of the ruling Liberals in public opinion polls. If it wins, the PQ has promised to hold an independence referendum within a year of coming to office.

Mr Jacques Parizeau, the PQ's leader, urged Quebeckers to shun Bank of Montreal, one of the biggest financial institutions in the province, after the bank's chief economist warned that the PQ would create "a great deal of fear" in financial markets if it treated an election victory as a mandate to launch independence negotiations.

A similar warning last week by Wood Gundy, a Toronto-based securities dealer, elicited a veiled threat from the PQ that the firm risked exclusion from underwriting the province's bonds, if the separatist group comes to power.

The political uncertainty has contributed to a widening gap between Quebec and other Canadian bond yields, as well as rising spreads between Canadian and US government bonds. Foreigners hold an estimated 25 per cent of Canadian public-sector debt.

The spread between Quebec and federal government 10-year bonds has grown in the past month from 85/100ths of a percentage point to about 1.03 points.

By contrast, bonds issued by the province of Alberta now yield only 50 points above federal government issues.

PQ leaders hope to reassure Quebec voters that a breakaway will be relatively painless, since an independent Quebec would continue to benefit from the North American free trade agreement and from close economic ties with the rest of Canada.

An economist at one domestic bank said yesterday that it was impossible to make an accurate forecast of Quebec's economic prospects under an independence-minded government.

But he noted that uncertainty among foreign investors about the future shape of Canada "is inevitably going to cause some dislocation in financial markets."

Firebrand ignites Mexican poll

Damian Fraser on the opposition candidate threatening continued rule by the PRI

A few months ago he was dismissed as a right-wing eccentric with a loud voice. Now Mr Diego Fernández de Cevallos, presidential candidate of Mexico's conservative opposition, is mounting a serious challenge to the governing party's 65-year hold on power.

Public support for Mr Fernández de Cevallos, the candidate of the National Action party, has surged after his clear victory in the televised debate between the three main candidates. In less than a month, he has moved from third place to being close to or ahead of Mr Ernesto Zedillo, the ruling Institutional Revolutionary party (PRI) nominee, in opinion polls.

A trial lawyer and experienced parliamentarian, Mr Fernández de Cevallos has proved a far more engaging and colourful speaker than his sombre rivals. Easily identified by his sprawling beard and cigar, his confrontational but good-humoured style has turned him into something of a folk hero for Mexicans looking for an alternative to the cold technicians who have run the country for the past decade.

His description of Mr Zedillo as a "good little boy with high grades who has not passed the test of democracy" may have done more to define the PRI candidate than months of government propaganda. His withering attacks on Mr Cuauhtémoc Cárdenas look to have finished off the presidential ambitions of the candidate of the left, once considered the strongest of the two opposition nominees.

An engaging and colourful Fernández de Cevallos: 'We have finished the myth that the candidate of the PRI is invincible'

Mr Fernández de Cevallos still faces considerable obstacles in his quest to unseat the PRI, and even some supporters acknowledge that he has at best an outside chance of victory. With memory of the debate fading, there are already signs that his support is beginning to soften.

The ruling PRI is better organised than the PAN, has more money and is backed by the television networks, the unions, big business and the farmers' organisations. Polls show that voters are more confident of its ability to manage the economy and worried about political instability that might follow a change in government.

The PAN's core support is the urban middle-class, and even within that group many are suspicious of its conservative, pro-church views on social policy. The party is hardly represented in the rural parts of Mexico, where 30 per cent of Mexicans live, a weakness not reflected in the opinion polls, which generally exclude voters in the countryside.

But the surge in popularity of the combative Mr Fernández de Cevallos has revealed the vulnerability of the PRI and the volatility of the electorate. Even if Mr Fernández de Cevallos does not win the election, he could draw enough votes to prevent the PRI winning majority control of the Congress, forcing it to govern with the support of the opposition for the first time.

Apart from his success in the debate, Mr Fernández de Cevallos's campaign has benefited from discontent with the government, fuelled by economic stagnation and political turmoil that began with the peasant revolt in Chiapas over New Year. He has cleverly positioned himself as the candidate of change, but who unlike the leftist opposition, can maintain political and social order.

"We have finished the myth that the candidate of the PRI is invincible," Mr Fernández de Cevallos said in a recent interview. "All of society is demanding change, indicating that the moment of the PAN has come."

His message of conservative and cautious political reform may have been given a boost by the assassination of Mr Luis Donaldo Colosio, the former PRI presidential candidate. The murder of the PRI candidate, along with recent kidnappings and an increase in drug-related violence, appears to have shifted public opinion to the right, helping Mr Fernández de Cevallos at the expense of Mr Cárdenas.

Unlike Mr Cárdenas, Mr Fernández de Cevallos approves of most of the pro-market economic policies of the current administration. If elected, he says would fully open sectors such as banking to foreign capital, allow limited private investment in the protected petroleum industry, introduce more competition in telecommunications and broadcasting, and decentralise federal powers to the states.

But compared with the detailed positions put out by Mr Zedillo, Mr Fernández de Cevallos's proposals are vague, and among his small team of advisers there are no well-known economists or businessmen. In some economic policies, he is probably to the left of the governing party, keener on protecting small businesses from the effects of free trade and, for example, supporting a controlled devaluation of the currency of about 20-25 per cent.

To reassure voters worried about his lack of administrative experience, Mr Fernández de Cevallos says he will invite members of other parties to join his government. Advisers to Mr Fernández de Cevallos encourage rumours that Mr Pedro Aspe, the finance minister, will be asked to remain in his job if their candidate wins the presidential election.

Mr Aspe has yet to comment on such rumours. But if the campaign remains close, the pressure on him and other well-trained officials in the governing party to distance themselves from the firebrand candidate of the centre-right opposition is sure to grow.

US-Japan banking accord

The US and Japan agreed yesterday to include banking and other financial services in negotiations to pry open Japanese markets to more American goods, AP reports from Paris.

Mr Mickey Kantor, US Trade Representative, said the trading partners also decided to discuss ways to ensure the protection of copyrights, patents and other intellectual property.

The new sectors will be part of so-called framework talks, which are aimed at improving American access to Japan's tightly closed markets.

The two nations recently broke a three-month deadlock to get negotiations going again.

The original sectors – still under negotiation – are cars and car parts, medical equipment, telecommunications products and insurance.

Mr Kantor said negotiators held talks yesterday in Paris on financial services but he had no report of the outcome.

There will also be talks on films and other audiovisual products.

Chilean trade surplus grows

Chile posted a $95.2m (£63m) trade surplus in the first two weeks of May, bringing this year's accumulated surplus to $334.2m, the Central Bank reported yesterday, AP reports from Santiago. Last year, Chile posted a $62.2m deficit from January to mid-May.

Government officials attributed the unexpected continued surplus mainly to recovery in world markets of the prices for some key Chilean export products, including copper, fruits and fish meal.

Intervention in Haiti ruled out

The Organisation of American States has ruled out military intervention to restore democracy in Haiti, but is expected to ban commercial flights and tighten economic sanctions, officials said yesterday, Reuter reports from Belem, Brazil.

Concern over exports as Argentina trade deficit widens

By John Barham and Stephen Fidler in Buenos Aires

Argentina's trade deficit widened sharply in the first four months of the year, further raising concern over the country's export competitiveness and the sustainability of its fixed exchange rate.

Latest figures show the deficit grew nearly five-fold to $2.4bn (£1.59bn) from $500m in the same period last year. But analysts expect a deficit of about $7bn for the year, roughly double last year's trade gap. Argentina has run a trade deficit nearly every month since Mr Domingo Cavallo, economy minister, pegged the currency to the dollar in April 1991.

But he denied the trade figures were alarming because they showed on the one hand a sharp increase in exports of manufactures and on the other a large inflow of capital goods.

The deficit was due mainly to sluggish exports of agricultural and industrial commodities.

Investment was 28 per cent higher in the first quarter compared with a year ago, while consumption grew only 4 per cent, Mr Cavallo added.

"For the first time ever, investments have resulted in productivity gains allowing an increase in exports despite growing domestic demand."

In the past, when the economy grew, as it is now, exports fell. Now, said Mr Cavallo, "exports of manufactures are showing an increase of 28 per cent, achieved through an increase in productivity. I have no doubt Argentina will have a greater ability to export owing to increases in productivity."

He emphasised that a large proportion of the imports were composed of capital goods, indicating companies were investing more and laying the foundations for a strong export sector. In the first quarter, government figures show imports of capital doubled to $1.53bn.

However, analysts complain government statistics are poor, making it hard to corroborate this. They suspect the government is over-estimating the volume of capital goods imports.

Mr Francisco Macri, president of Socma, one of Argentina's most powerful industrial groups, said yesterday: "There are few imports of capital goods and more imports of consumer goods and this is not good."

Mr Macri, whose companies build nearly half the cars made in Argentina, claimed car imports alone last year were worth $3bn.

Despite the disappointing trade figures, inflation continues to fall. In May, retail prices rose 0.3 per cent, bringing the 12-month figure to 3.4 per cent, the lowest in 41 years.

NEWS: UK

Calls for retaliation against trade sanctions set to increase, says minister

Malaysia warned over ban

By Kieran Cooke in Kuala Lumpur

Calls for retaliation against Malaysia are likely to increase unless Kuala Lumpur moves to lift a ban on giving public sector contracts to British companies, Mr Richard Needham, trade minister, said yesterday.

Mr Needham said at the end of his second visit to Malaysia in a fortnight that a lifting of the ban was likely within six weeks. "They have said in principle they are going to take it off. But the longer they leave it the more likelihood there is of retaliation on the British side and the more voices will be raised against it."

Malaysia imposed the ban at the end of February after a report in the Sunday Times alleged that Wimpey, the British construction company, had been involved in negotiations to offer bribes to Dr Mahathir Mohamad, the Malaysian prime minister.

Dr Mahathir's government had also been angered by the controversy surrounding a British loan for the Pergau dam project. At the time the ban was imposed, Malaysia said hundreds of millions of pounds worth of contracts for British companies could be affected. A UK-Japanese consortium that had been given the contract for project management of a £3bn airport being built outside Kuala Lumpur has been one of the main casualties of the Malaysian government's action.

Mr Needham has played a central role in trying to persuade the Malaysians to lift the ban. Two weeks ago he proposed a Malaysian-British forum to promote co-operation on trade, investment and technology transfer. "We have a long relationship with Malaysia, but the better you know someone when you have a row, the worse it will be," he said.

Some Malaysian exporters are concerned the ban could ricochet on their business. Malaysia is lobbying the European Union for an extension of trading privileges under the generalised system of preferences. Mr Needham said Britain supported continuation of Malaysia's preference status.

The system allows Malaysia preferential tariffs on its exports. More than 15,000 Malaysian-made Proton cars are exported each year to Britain, where they are sold for less than in Malaysia.

Diesel supplier wins £660m deal

By Paul Cheeseright, Midlands Correspondent

FG Wilson Engineering, the Northern Ireland diesel electrical generating set manufacturer, has signed an agreement worth more than £660m to buy diesel engines from Perkins, the East Midlands supplier, for the next 10 years.

The deal is one of a series of long term contracts which Perkins has signed with big customers. They include: Caterpillar, the construction equipment group; Volvo Penta, the marine engine company; Hanomag, the plant manufacturer; and most recently Massey Ferguson, the tractor maker.

The new agreement makes Wilson, Europe's largest generating set manufacturer, one of the biggest of Perkins's 600 customers. The engines will power between 80 per cent and 90 per cent of Wilson's generating sets, produced at the rate of 17,000 a year.

Mr Tom Wilson, managing director of the privately owned company, said the agreement was "a consolidation of several strands of deals which existed in the past". It embraces joint product development, the scheduling of sales and "just-in-time" delivery.

Wilson's is 83rd in the latest list of the FT's Top 100 Exporters. About 90 per cent of its output, all manufactured in Northern Ireland, is exported. In the year to last August, it had sales of £141m and made after tax profits of £13m. Its biggest single market is China, which provides 14 per cent of its business.

Perkins will manufacture the engines at its Peterborough and Shrewsbury plants and ship them to Wilson's expanding factory at Larne.

Banks urged to build long-term relations

Pressure from shareholders could hamper banks' efforts to build supportive long-term relationships with large companies, Sir Denys Henderson, chairman of Imperial Chemical Industries, warned yesterday, writes John Gapper.

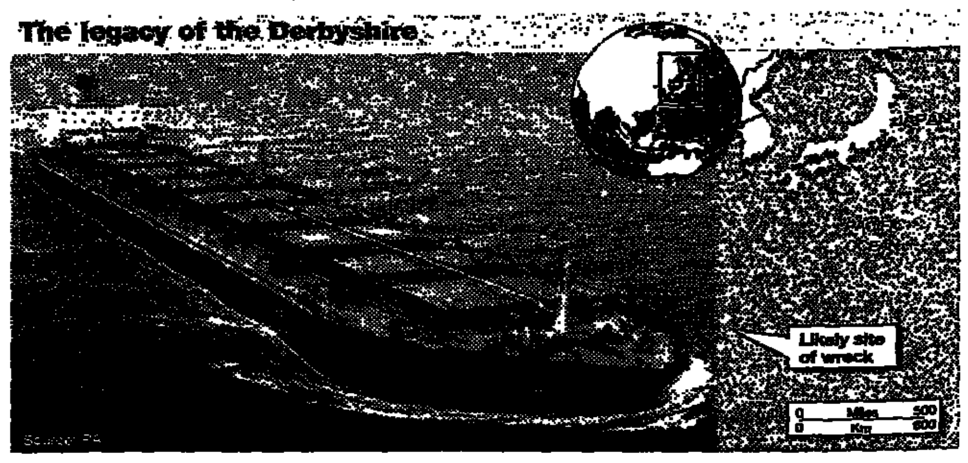
Speaking in London at the International Monetary Conference, a meeting of senior executives from 103 large banks, Sir Denys said that banks should take a "long-term supportive" stance towards customers.

"I suspect that the pressure on under-performing banks to improve their shareholder value will grow, which may make even the most tolerant more critical of clients' performance than in the past."

He said a long-term supportive stance "through fair and foul weather alike" was normal in Asia-Pacific, particularly in Japan and Germany, but less prevalent elsewhere.

Sir Denys criticised some banks for being more interested in "peddling the deal of the day" than preserving objectivity in the advice they offered to companies on how to improve their performance.

The legacy of the Derbyshire



The government came under pressure yesterday to reopen the public inquiry into the loss of the bulk carrier Derbyshire following the discovery of wreckage in the area where it went down, writes Charles Batchelor.

The 189,000 tonne vessel became the largest British vessel to be lost at sea when it sank in a typhoon off Japan in 1980 with the loss of its entire crew of 44. Parts of a wreck have been found nearly three miles down by a survey vessel chartered by the International Transport Workers' Federation.

Mr Jimmy Knapp, general secretary of the RMT shipping union, called yesterday for the government to hold a public inquiry and to fund the continued search for wreckage. "We have argued for over 13 years that our members perished because their ship sank as a result of the vessel having inherent structural design faults," he said.

The department of transport said it would consider any new evidence.

A public inquiry held in 1987-1988 found that the vessel had probably been overwhelmed by the forces of nature and that the possibility of structural weakness was low. Families of the crew and marine experts were dissatisfied with these findings.

The Derbyshire may have been the largest vessel of its type to sink but it was not the only one. Dry bulk carriers have a poor safety record with at least 64 lost between 1991-1993.

A survey by the International Association of Dry Cargo Shipowners published in February found that human error was the most common cause of vessels going down, rather than structural failure or damage from the elements.

Dry bulk carriers are the workhorses of the marine world with more than 5,000 in service carrying cargoes such as coal and ores. They frequently receive rough treatment in harbour with heavy cargoes being dropped into their holds and pneumatic hammers being used to clean hold sides.

"They are the Cinderellas of the shipping industry," said Mr Chris Horrocks, secretary general of the International Chamber of Shipping. "They do not carry passengers. Unlike tankers they have no major pollution potential. It is a question of being out of sight, out of mind."

Britain in brief

Ulsterman wins racial abuse case

A 36-year-old man from Northern Ireland has been awarded £5,902 by an industrial tribunal in Nottingham, in the East Midlands, for suffering racial abuse at work. The case may have an important impact on how British employers treat their Irish employees.

Mr Trevor McAuley (pictured after the hearing) was the subject of sustained anti-Irish remarks by some of his workmates. He was often called a "typical thick Paddy" and was the subject of derogatory remarks about the Irish "almost every day". The tribunal agreed unanimously that he had suffered "stress and humiliation".

"This is the first time such issues have been put before an industrial tribunal," said Mr Herman Ouseley, chairman of the Commission for Racial Equality. "We know from

regular complaints made to us that Irish people suffer abuse day after day. We hope that they will be able to use this result to secure a change in attitude on the part of their employers."

Mr McAuley, a machinist in a small family business, was dismissed three days before the end of his first two years' employment at the company, which preventing him from bringing an unfair dismissal charge.

Mr Dan Taylor, his former employer, said he did not agree with the tribunal's verdict. "I cannot afford commercially to appeal against it," he said. "But this case is another nail in the coffin of British manufacturing. We should not have to be dealing with matters like this but getting on with the job."

Mr McAuley, who has worked in England for 20 years, said he had been the subject of anti-Irish abuse before in his working life but not in such a persistent form.

Beaches fail hygiene test

Seawater at popular beaches such as Blackpool and Morecambe in north-west England is still below European hygiene standards, a European Commission report has found.

Of 457 UK resort areas tested for pollution last year, 80 per cent reached the levels expected by the commission, one of the lowest rates in the European Union.

However, the commission said that the whole of Britain's holiday coastline was expected to meet the cleanliness standards by the end of next year.

Summaries via computer

A computer company will today launch software that can analyse the content and meaning of the English text it reads.

Oracle, the US software company, has developed ConText, with a 600,000 word dictionary and up to 1,000 pieces of linguistic data available on each word. The company says ConText can identify the strongest overall themes in a document and automatically produce summaries.

Oracle said: "Think of ConText as an electronic assistant able to automatically wade through mountains of textual data, ranging from electronic mail and the daily newspaper to voluminous legal contracts or an electronic version of the Library of Congress, and return information specifically tuned to your needs."

Polly Peck asset sale

Administrators to Polly Peck International, the collapsed conglomerate formerly controlled by Mr Asil Nadir, expect to sell its main remaining assets in the next year.

Mr Chris Barlow of accountants Coopers & Lybrand, joint administrator, said the group's holdings in electronics groups Vestel and Sansui were likely to be sold in the next few months. Advisers have been retained to assist with timing and price, and preliminary estimates suggest that more than $100m may be raised.

Unfit housing condemned

A "housing underclass" is being created in Britain with more than 1.5m people forced to pay rent for homes that are unfit for habitation, the Royal Institute of British Architects said in a report. The institute blamed lack of coherent government policy and warned that the longer repair work was delayed, the higher the eventual repair costs.

Cola wars

J Sainsbury, the UK's largest food retailer, is firing another shot in the "cola wars" with the launch of a TV advertising campaign for its own-label Classic Cola.

Unabashed by complaints last month from market leader Coca Cola, which forced Sainsbury to change the can design of its new cola, the retailer will run an advertisement from Saturday, featuring an US basketball player and American cars, and playing on the product's "American" taste.

Eco-index charts corporate efforts

Hilary Barnes examines the growth of in-house environmental reports

Novo Nordisk, the Danish health care and industrial enzymes group, has developed a new tool for use in corporate environmental analysis, an environmental performance indicator or "eco-productivity index". It was included in the group's first corporate environmental report, a detailed 42-page production published recently.

"The index enables us to make precise environmental comparisons from year to year," says Steen Riisgaard, a Novo Nordisk director. It also enables the group to set measurable goals for improvements in performance.

Riisgaard heads the group's bio-industrial division, which operates the fermentation facilities for the production of enzymes and the health care division's insulin and human growth hormones. These facilities produce most of the group's waste.

The concept of the index was welcomed by John Elkington, partner in the UK environmental consultancy SustainAbility, which last year published Coming Clean, a survey of corporate environmental reporting.

Elkington and his colleagues have provided a verification of Novo Nordisk's report as "a fair and honest reflection" of the company's policies. He gave the report high marks in comparison with reports by other companies. He described the index as "very useful" and hoped other companies would adopt the idea.

The index is derived by dividing the volume of output sold by the volume of inputs, such as water, energy, raw materials and packaging. The index rises if the company is successful in producing more per unit of input.

Taking 1990 as the base year (=100), the index shows an improvement on the raw materials side of 19 per cent, for water of 31 per cent, for energy of 33 per cent and for packaging of 19 per cent. The group has set specific targets for annual improvements in each of the indexes of 4 or 5 per cent a year.

The Danish group claims to be the world's biggest producer of insulin, used to treat diabetes, and industrial enzymes, which have a wide variety of applications – in detergents, for breaking down starch into sugar, extracting juice from grapes and giving jeans a stone-washed look without using pumice stones.

The group uses 214,000 tonnes of raw materials, 3.4m gigajoules of energy, 4m cubic meters of water, 7,700 tonnes of packaging materials and distributes 61,300 tonnes of products. The eco-productivity index is only one aspect of the group's efforts to achieve "sustainable production".

A second crucial factor is the achievement in recycling waste products. About 40 per cent of the water used at Novo Nordisk's main production facility in Kalundborg, Denmark, is recycled, mainly by selling it to farmers with sludge from the fermentation tanks.

However, before the water reaches Novo it has already been used for cooling in an oil refinery, which passes it on as process steam to a local power utility. Only then does it arrive at Novo Nordisk – an example of industrial symbiosis, which economises on water resources from a nearby lake.

Some 43 per cent of liquid waste was recycled in 1993, either as sludge for fertilising fields or as pigfood (inputs for fermentation include soya meal, sugar and maize flour) compared with 25 per cent in 1990.

It was with mixed feelings that Novo Nordisk undertook to provide a corporate environment report, says Mads Ovlisen, group chief executive. The group has a long history of seeking to be a good global citizen on environmental questions; and the fact that Novo Nordisk is based in a country where environmental consciousness is well developed and environmental legislation is rigorous, has stimulated the group's interest in the issue.

But, says Ovlisen, a detailed environmental report also provides information of use to competitors, prompting internal opposition to the report plan.

Plans to revise an 1872 law on mineral excavation rights are fuelling a row between the US mining industry and the green lobby. **Victoria Griffith** reports

Rich seams in a Wild West war

A battle is raging in the US Congress over legislation which could determine the future of the country's mining industry. At the heart of the debate is a law which allows miners to gain title to public lands for a nominal fee: a maximum of $5 (£3.30) per acre. Under the law anyone, from individuals to international conglomerates, is guaranteed the right to excavate, as long as proof of substantial hardrock mineral deposits is furnished.

Mining industry proponents believe the sector should continue to receive breaks in the interest of maintaining and creating jobs. "What's at stake here is nothing less than the survival of mining in this country," says Jack Gerard, representative for the Mineral Resource Alliance, an industry organisation. "If we make mining too expensive, we will drive the sector overseas."

Environmentalists, however, accuse the industry of hitching a free ride on the back of taxpayers and wreaking ecological havoc. They want a revision of the law which will demand compensation for use of the land and enforce tougher environmental regulations.

At least some modification to the law is expected by early next year. Two versions are currently being floated in Congress. The Senate bill, favoured by the mining industry, would impose royalties of 2 per cent on minerals extracted. The House bill, favoured by environmentalists, would impose royalties of 8 per cent and impose stricter ecological standards.

The law which has environmentalists on the warpath was created

Visions of how western lands should be managed in modern America diverge dramatically

in 1872, when the US was a very different country. The federal government wanted to speed up settlement of the Wild West and created the mining law to encourage prospectors to try their luck on the great frontier. Visions of how western lands should be managed in modern America, however, diverge dramatically between environmentalists and the mining industry.

Environmentalists see corporations ravaging the land without paying the government just compensation. "Pollution from a copper mining site in Butte, Montana, extends 100 miles downstream in the Clark Fork river," says Philip Hocker, president of the Mineral Policy Centre, an environmentalist group in Washington DC.

"The mining company left the tailings sitting there and every time the river rises, it kills off fish," Hocker says. "Or take Summitville, Colorado, where the mining company Galactic Resources poisoned 17 miles of river. It went bankrupt and US taxpayers had to pick up a $100m clean-up bill."

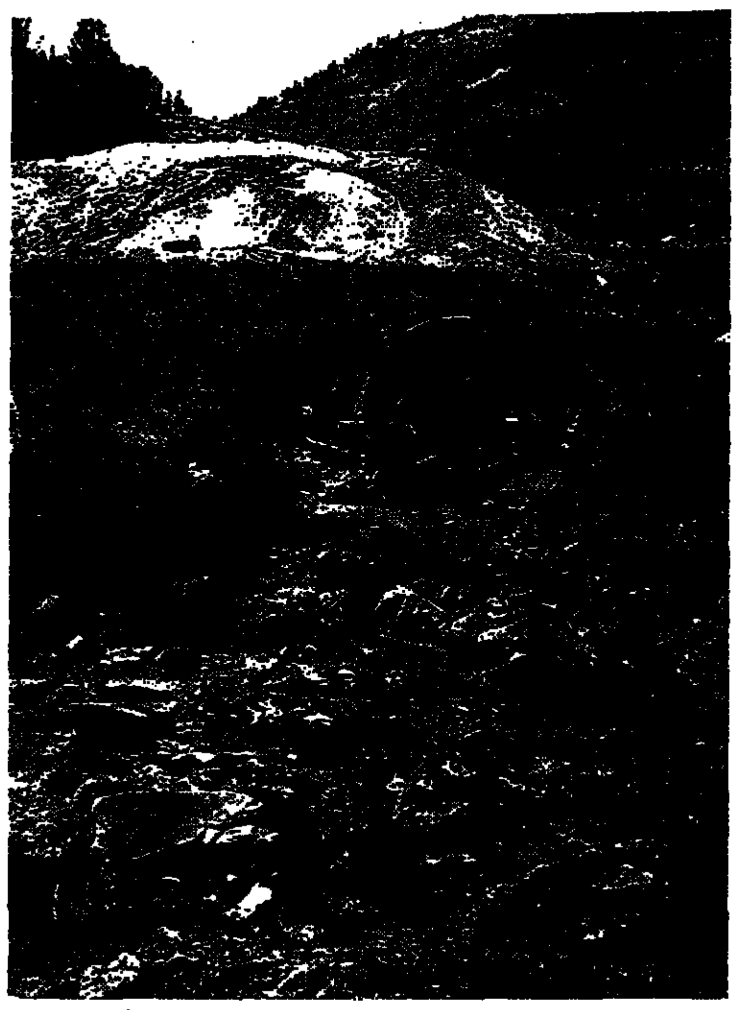
Proponents of the law, however, see entire communities being revived by mining activity. "In Challis, Idaho, a molybdenum mine has just opened up again, and turned what was a modern day ghost town into a thriving community," says Idaho's Senator Larry Craig, who has sponsored the 2 per cent royalty bill. "The new school will open this fall, houses that sat idle for years are being sold, and the mine has created about 350 to 500 new jobs."

The storm over the mining law is part of a wider debate over the use of some 500m acres of land owned by the federal government in the western part of the country. The Clinton administration has launched several attacks on commercial use of public land since it came into power, including attempts to raise grazing fees for livestock and the blockage of lumber extraction.

The president's approach on the public lands issue has met with mixed success. Industry is outraged over attempts to prevent the use of public land, while environmentalists are furious that the administration has not gone further to protect the areas.

The Clinton administration's first attempt to throw out the mining law failed. Interior Secretary Bruce Babbit had tried to prevent Canadian-based Barrick Goldstrike Mines from gaining title to 1,800 acres of public lands containing about $10bn in gold deposits in Nevada. On May 16, a federal judge, citing the mining law, ordered the secretary to hand over the title.

"This is the biggest gold heist since the days of Butch Cassidy," says Babbit of the court rule. "But these folks stole it fair and square."



Abandoned mining wastes at Fisher Creek near Yellowstone National Park

Environmentalists are particularly concerned about damage to water sources. Substances like mercury, which can poison fish supplies, are often used to extract the metals. Toxic acid mine drainage, triggered by the exposure of ores to air, can also cause severe problems, especially if it reaches the ground water. Ecologists also complain about the air pollution created by smelters and the surface devastation mining can cause.

Mining proponents say ecologists are hitting the industry at a time when it has already been weakened by slack metals prices. "At a time of low world prices, the mining sector cannot afford onerous royalties," says Linda Findlay, director of government relations for the copper mining group Phelps Dodge. "We need to go where it's most advantageous to mine, and if it gets too costly in the US, we'll move our business overseas."

Other supporters of mining on public lands cite the need for metals and minerals supplies for national security reasons. "We cannot afford to be entirely dependent on other countries for our mineral supplies," says Senator Craig.

The mining industry's trump card, however, is jobs. The 8 per cent royalties which would be imposed by the House bill would cost between 35,000 and 45,000 jobs in the sector, say proponents of the 1872 law, and more jobs would be shed in support sectors. Environmentalists claim these figures are bloated, but there is no question that the jobs issue has garnered much support for public land mining from western state representatives and senators. "The 8 per cent royalty bill is a save-the-environment-to-heck-with-the-jobs approach," says Craig.

The Congressional battle which will ensue over the next few months is expected to be fierce. Royalties are only part of the debate. The House bill would give the federal government the right to block mining entirely, if activities cause more than "minimal disturbance to the environment". Mining companies are also nervous about tougher reclamation standards and the bill's insistance that cutting-edge technology be used whenever possible to minimise ecological damage.

Although industry is solidly opposed to the House bill, it may emerge victorious. Public opinion has been rallying behind the revision. "Our strategy is to try to create public indignation over the issue," says Kathryn Hohmann, director of public lands of the Sierra Club, an environmentalist group. "We're trying to get the message out that these people are tearing up public lands, and they're doing it for free."

The mining industry believes it has been the victim of misinformation. "The propaganda doesn't take into account that a lot of public lands are already protected through the national park system," says Jack Knebel, president of the American Mining Congress. "This is not about mining Yellowstone." However, Knebel concedes that the sector may be losing on the public relations front. "It will be an uphill battle for us as far as public opinion goes," he says.

That the 1872 law will stand as it is seems doubtful. Mining companies will almost certainly be forced to pay something for the use of public lands in the future. What is uncertain is how high royalties will be and whether tougher environmental standards will be enforced.

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Innovative thinkers past and present: Albert Einstein, Jack Welch of General Electric of the US, Edwin Land of Polaroid and Luciano Benetton of the Italian clothing group

Use your intuition

Rationality is in retreat as a business tool, writes Christopher Lorenz

Einstein once declared: "I never discovered anything with my rational mind." On another occasion he claimed that "imagination is more important than knowledge". In practice, he used a combination of reason and intuition.

Edwin Land, the founder of Polaroid, the US photography group, worked in very similar fashion. So, in many respects, do innovative modern leaders such as Ingvar Kamprad, founder of Swedish-based furniture retailer Ikea, the Benetton family of the Italian clothing group, and even some ultra-numerate Americans – notably Jack Welch of General Electric of the US. They use intuition not just occasionally, to generate "visions" for their company's future strategy, but also in everyday decision making.

Yet, for more than 30 years, a management world whose prime task should be the creation of businesses has treated intuition as a dirty word. Marginalised by the rise of "scientific", ultra-rational management – especially in strategic analysis and planning – intuition became associated with a discredited, uninformed style of management known as "seat-of-the-pants".

But now, as companies search for ways of creating more businesses, and with excessive rationality in retreat after more than a decade of strategic planning disasters, intuition is making a comeback.

The problem is how to integrate it with the rigour and deep understanding of markets, technologies, strategy and competitive behaviour which managers need at a time of global competition, complexity, uncertainty and rapid change.

In the last few months two books have been published which extol the virtues of intuition, try to explain it, and advise how it can be exploited.

One, called *Intuition – The New Frontier of Management**, comes from three authors connected with the International Institute for Management Development in Lausanne.

Among the many findings of the book – and of a nine-country international survey which it contains – is that Japanese managers are much more intuitive than they realise (or admit), while Swedes are far less so than they think. Americans and Britons rate pretty high objectively, and know it. The study shows that women are far more intuitive than men.

The other book** comes from Henry Mintzberg, a Canadian professor known worldwide for his 20-year campaign against the excesses and failures of much past planning.

As Mintzberg demonstrates, most of the influential corporate planning literature of the past 30 years, from the pioneering Igor Ansoff in the 1960s to Harvard's Michael Porter in the 1980s, – extols pure rationality in place of "gut feel".

The IMD book, written by an Indian company managing director, Jagdish Parikh, with two academics, Friedrich Neubauer and Aldén Lank, tries to explain in simple language what intuition is – and is not – and suggests practical ways of using it profitably.

In the past, it argues, managers sometimes resorted to intuition because of inadequate data or information. Now computers churn out so much information that the use of intuition is essential in order to make sense of it quickly. Conventional mental activities – absorption of information, retention and reasoning – are now inadequate.

As Parikh and his co-authors argue, it is an innovative, largely intuitive, grasp of the evolving global marketplace which has transformed businesses such as Sony, the consumer electronics company and car makers BMW and Honda, into giants. Creativity of this kind seldom results from convergent, analytical thinking, they maintain. It is more the result of divergent thinking, and highly intuitive approaches.

Managers' recognition of this is hampered by, among other things, people's inability to agree on the nature of intuition. Both Mintzberg, and Parikh and his co-authors, cite a wide range of confusing definitions (see panel). But at least Parikh and co are certain of what intuition is not: instinct, impulse, ingenuity, inspiration, intellect, intelligence or wishful thinking.

On the basis of their broad definition of the term, they describe various techniques for enhancing managers' innate intuition, and applying it in practice, especially to the thought process involved in creating a corporate "vision". By comparison, they give only sketchy advice on how intuition can be applied in everyday practice. They also fail to deal adequately with the question of how managers can distinguish informed intuition from ignorant "gut feel".

More than half the 1,300 senior and top managers covered by the survey claimed to use intuition and logic or reasoning in roughly equal measure. But this was not borne out by the objective evidence which the survey gathered through a complex questionnaire. More accurately, a large minority of 40 per cent said they used logic and reasoning more than intuition.

The survey showed that age makes little difference to a manager's intuitive ability. But the 45 to 59-year-olds were rated slightly higher than others.

On the other hand, top managers scored less well in objective tests than their senior colleagues, but thought themselves superior.

* *Blackwell. £35*
** *The Rise and fall of Strategic Planning. Prentice Hall. £19.95*

INTUITION: A MYRIAD OF DEFINITIONS

by Mario Bunge (cited by Mintzberg): As PERCEPTION (quick identification of patterns); IMAGINATION (metaphors, representation); REASON (intrinsic, synthesis); VALUATION (judgment, insight)

by Parikh, Neubauer and Lank: As a LEARNED SKILL (positive visualisation); a NATURAL TRAIT (Jungian psychology); a SHORT-TERM PROCESS; a LONG-TERM ABILITY; MULTILEVEL (conscious, sub-/un-/supra-conscious)

David White looks at Gillette's controversial decision to close its Seville factory

A boss's life at the sharp end

Every day Alberto Morales goes to his office at a factory near Seville and stays inside until it is time to go home. He no longer visits the shopfloor, even though he is the boss – or rather, because he is the boss.

Two bodyguards, ordered by Morales' US superiors, wait outside to accompany him off the premises. His house is under 24-hour guard.

Life for the general manager of Gillette's Spanish manufacturing subsidiary has been like this since the morning of March 18 when he told the works council the company had decided to close the factory.

Gillette is abandoning the Seville facility, employing about 250 people in the industrial zone of Alcalá de Guadaira, in order to concentrate European razor-blade production at Isleworth, west of London, and Berlin. The announcement – recalling the row early last year over Hoover's plans to move vacuum-cleaner production from eastern France to Scotland – has provoked bitter protests.

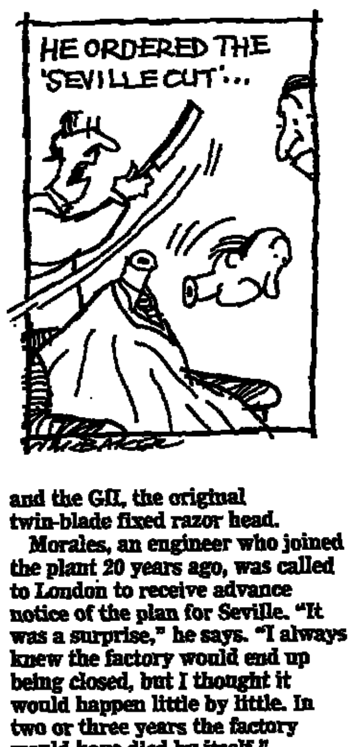
The Andalucia regional government contested the legality of the move. The Spanish industry ministry described it as "a provocation". And one senior labour ministry official floated the idea of a Gillette boycott.

Spain's labour laws allow for collective redundancies on certain specified grounds, but Gillette's move did not seem to correspond to any of them. Recently approved reforms, designed to make the rules more flexible, will allow authorised cutbacks for reasons of reorganising production. Senior government officials insist that this is intended to cover reorganisation within Spain, not cross-border transfers.

The Seville closure is part of a "realignment" announced by the Boston-based consumer products group in January, affecting 2,000 of its 34,000 employees worldwide. The lost jobs, mostly outside the US, are expected to be replaced by jobs elsewhere, including China, Russia and Poland, where Gillette has new ventures.

Gillette does not justify the Seville decision on grounds of new technology or economic problems: "The reason for closure is not that it is unprofitable," says Morales, "but that it is superfluous."

The plant, which enabled Gillette to exploit what was then a highly protected Spanish market, still makes the old-fashioned double-edge blades, the only Gillette plant in Europe still to do so. It has two other lines, the twin-blade disposable razor known in Europe as Blue II and in the US as Good News, and the GII, the original twin-blade fixed razor head.



Morales, an engineer who joined the plant 20 years ago, was called to London to receive advance notice of the plan for Seville. "It was a surprise," he says. "I always knew the factory would end up being closed, but I thought it would happen little by little. In two or three years the factory would have died by itself."

Instead he now finds himself in the firing line. "I live in this office," Morales says glumly. He has not even tried venturing into the main part of the factory, where production has been going on as normal. "It is better to maintain calm," he reckons.

He says he has been the target of personal attacks from employees but does not want to go into details. This is, after all, the place he has spent his whole career, with the exception of two years at Gillette headquarters in Boston.

Morales "had to accept" the US management's decision to dispense with the Spanish operation. Having accepted the role of executioner, he is not optimistic that Gillette will provide a suitable alternative post when it is over. "I know they could only offer me somewhere like India," he says, evidently not keen on the idea. "In Europe I don't fit. I am a factory manager, and there are two factories in Europe."

Morales says Gillette concentrated its modernisation effort in the UK and Germany because of government support. "Here we have not had any government subsidy," he says. Improved production methods have left Isleworth and Berlin with excess capacity.

Gillette has already reduced its Seville workforce by about 60 per cent since the mid-1980s, getting rid of activities in the group's perfume and writing-instrument divisions.

To avoid lengthy administrative procedures, Spanish companies tend to offer the maximum redundancy compensation of 45 days' pay per year's work. Gillette's standard package has added to this an extra Ptalm for every five years' seniority. Morales hints it may pay even more this time to achieve a negotiated settlement.

It took more than two months of confrontation before the works council agreed to hear the company's preliminary offer (on May 25). The open-ended proposal includes a retirement plan, outplacement services and a range of insurance policies.

Like a ship's captain, Morales will be the last to leave. He will stay on until next year to liquidate the company. Then, at 54 and after six years as general manager, he expects to be out on the street.

PEOPLE

Non-executive directors

Sir Marcus Fox (above), 66, Tory MP and chairman of the party's 1922 committee, has joined the board of Pubmaster, the pub retailing arm of the heavily-indebted Brent Walker group.

Sir Marcus' appointment as a non-executive director is a further sign that one of Britain's biggest pub-owners is likely to be floated on the stock market over the next year or two. Last year it made operating profits of £11.1m on sales of £100m. Pubmaster chairman John Brackenbury, 58, said that Sir Marcus has an impressive track record in industry as well as in politics.

■ David Tucker has resigned from PITTARDS.
■ James Long, a corporate finance director in Inchcape, at The FLEMING FAR EASTERN INVESTMENT TRUST.
■ William Ropner has resigned from ROPNER.
■ Hans Werdelin, ceo of Sophus Berendsen, as vice-chairman of RENTOKIL on the resignation of Ebbe Christensen.
■ Lord Gregson has retired from FAIREY.
■ Sir Christopher Harding has resigned from SLOUGH ESTATES.
■ Peter Batchelor, retired director at Vauxhall, Harry Fryer, md of Sema Group's UK operations, and John Rose, a director of Rolls-Royce, at EURODOLLAR (HOLDINGS).
■ Tony Orton, retired director of Marks & Spencer, at UNITED FRIENDLY GROUP.
■ Leonard Cowburn, retired deputy chairman of William Hill, at STANLEY LEISURE ORGANISATION.
■ Michael Sayers, former corporate finance partner at Norton Rose, at EMESS; Adrian White has retired.
■ Jack Shepherd has retired from SPIRAX-SARCO.
■ Sir Ian McLeod has retired from SEEBOARD.

Peacock leaves for New York and BZW

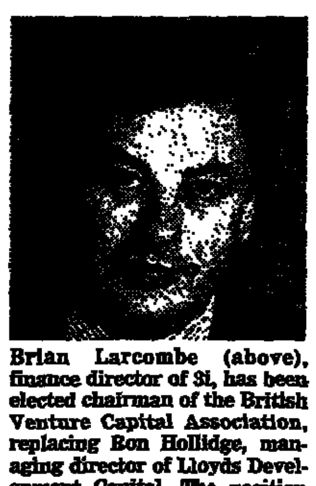
Ian Peacock, 46, who has spent 19 years with Kleinwort Benson, is moving to New York to be co-head of merchant banking in the US for BZW, Barclays Bank's investment banking arm.

Barclays Bank has had a chequered history in the US. Just over a year ago it gave BZW strategic responsibility for the group's US operations, including day-to-day management of its large corporate lending. The reorganisation was in response to an increasing trend for large companies and institutions to raise funds from equity and bond markets rather than through bank borrowing.

Peacock's move to BZW follows a reorganisation at Kleinwort Benson and a chance airport encounter with Graham Pimlott, 44, a former colleague, now chief executive of merchant banking at BZW who has recently taken on an expanded role within Barclays.

BZW does not disclose the size of its US banking business, but it is known to be many times larger than the £2bn or so that Peacock was jointly responsible for at KB. Peacock ran the marketing side of KB's North American banking business between 1984 and 1987 before returning to the UK to be joint head of the group's lending operation. In his new role he will be primarily responsible for BZW's bank finance and structured finance products in the US. The other co-head of merchant banking in the US is Malcolm Le May, 36, who joined BZW in 1991 after stints at Drexel Burnham and Morgan Grenfell.

Peacock is the latest ex-Kleinwort Benson banker to move to BZW. The best known is Sir Martin Jacomb, who spent 17 years with KB before helping form BZW in 1986. When Pimlott quit KB in 1989 he took with him Callum McCarthy, who now heads BZW's Japanese business.



Brian Larcombe (above), finance director of 3i, has been elected chairman of the British Venture Capital Association, replacing Ron Hollidge, managing director of Lloyds Development Capital. The position rotates annually.

The 40-year-old Larcombe joined 3i in Manchester in 1974 and spent 18 years on the investment side of the business before being appointed finance director in 1992.

■ The appointment of Ann Taylor to head the competition division at Oftel, the telecoms regulator, is the latest in a series of senior female appointments to the body charged with overseeing the industry.

Taylor succeeds Anna Walker, who was last month appointed to succeed Bill Wigglesworth as deputy to Don Cruickshank, the director-general. Her appointment gives women a 5-4 majority on Oftel's senior management team, with one post vacant.

Taylor moves on secondment from the DTI, where she is a grade 5 responsible for regional policy.

The competition brief is one of the toughest at Oftel, with 40 new entrants to the UK's liberalised telecoms industry calling loudly for better terms for connection to BT's network. Mercury, BT's main competitor, is currently in the courts claiming that Oftel has failed to give it a fair deal.

■ Derek Baudains has been appointed md of The Louvre Trust, part of FORT GROUP HOLDINGS.

Geoffrey Woodroffe to preside over grief and grievance

Britain's funeral business is getting its first Ombudsman, Professor Geoffrey Woodroffe, director of the centre for consumer and commercial law research at Brunel University.

Woodroffe's new part-time appointment will entail his scrutinising complaints from families who are dissatisfied with services provided by funeral parlours belonging to either the Funeral Standards Council or the Funeral Planning Council, which together account for about half of the country's 4,000 funeral directors.

These two professional bodies have largely displaced the older National Association of Funeral Directors, which, established in 1979 in order to bring greater transparency to the business, was criticised by the Office of Fair Trading in 1989.

The Ombudsman's function has teeth, notably the power to order companies to pay compensation up to £50,000 to claimants whose grievances are upheld. The office is able to receive complaints backdated to – but not beyond – April 4 this year. The funeral business in the UK is worth some £1bn annually, with around 640,000 funerals taking place each year.

Woodroffe is a solicitor by training and has broad experience of commercial law both in the UK and through his diverse work for the European Commission.

The Ombudsman's council has a team of six (besides Woodroffe himself) including: Jill Moore, chairman; Peter Gibson; Cassandra Kent; Cynthia McDowell; Alan Edwards; and Gordon Kee.

The council will be promoting its work through citizens' advice bureaus and other public forums.

EUROPEAN NEWS DIGEST

BA to oppose French limits

British Airways is planning to challenge the French government in the European Commission in Brussels as well as through the French courts if it goes ahead with proposals to limit the size of aircraft and flight frequencies on services from London to Orly airport in Paris. Although BA will start operating services from London Heathrow to Orly on Monday, Sir Colin Marshall, BA's chairman, yesterday said that the proposed restrictions at Orly were "illegal" and would be challenged by BA. France bowed to European Commission and UK government pressure last month to open Orly to UK airline competition. But Mr Bernard Bosson, the French transport minister, said UK airlines would be restricted to four flights a day and that only larger aircraft with more than 200 seats could use Orly at peak morning and evening hours. He also said that BA and its French affiliate, TAT, would be regarded as one airline in terms of frequencies. Although BA intends to fly only four daily services to Orly this summer, it plans to operate extra flights this winter in defiance of the French proposal to limit frequencies from London.

Sir Colin also said BA would soon file an objection with the European Commission to French government plans to inject FFr20bn (£2.33bn) in additional state aid to Air France. *Paul Betts, London*

Air Inter calls second strike

Unions at Air Inter, the main domestic carrier in the Air France group, yesterday called their second 24-hour strike in three weeks in protest at the lack of "concrete" assurances at their pay and job security will not suffer as a result of new austerity measures for Air France. But the strike, called also to press Air Inter's case for more autonomy within the Air France group, was less widespread than the first one, halting about 50 per cent of flights yesterday. Meanwhile, the French government has warned the European Commission that if Brussels stops it injecting FFr20bn into Air France and thereby forces the airline into liquidation, the total cost to the French taxpayer would be even greater, amounting to FFr30bn. This was revealed by the Commission in its formal nouncement last Friday of an inquiry into the Air France deal, which Brussels said in view of the airline's debts and losses could not be equated with the "rational" decision of a private investor. *David Buchan, Paris.*

Russian-Ukraine tensions ease

Tensions between Ukraine and its Russian dominated region of Crimea eased further yesterday when Kiev announced it would pursue a policy of flexible deadlines in response to Crimea's diplomatic concessions last weekend. Head of the Ukrainian negotiating team, Mr Volodymyr Bthutkevich, said that any actions against Crimea's pro-Russian leadership will be postponed until June 15, a date which could further delayed if negotiations continue to proceed productively. The initial breakthrough was achieved late Friday night when Crimean negotiators, many of whom have Aladvocated independence from Ukraine and reunification with Russia in the past, surprisingly backed down and signed a pro-Ukrainian communique.

In the communique, Crimea recognizes "the territorial integrity of Ukraine, of which Crimea is a part" and "the supremacy of the Ukrainian Constitution over all Ukrainian territory." The two sides, meeting on the Crimean peninsula, also decided to form a permanent joint working group to resolve their legislative differences. *Jill Barshay, Kiev*

Little progress at Bosnian talks

The leaders of Bosnia's warring sides yesterday congregated in Geneva for a second day of talks on a proposed ceasefire but did not meet face to face promising little hope of an agreement. After separate meetings with the rival leaders, Mr Yasushi Akashi, top UN official in former Yugoslavia, said the talks would be adjourned for a later date unless the main protagonists made a "real effort" towards an agreement. As both sides quarreled over how long the proposed truce should last, fighting was reported between Serb and government forces in northern Bosnia.

In Serbia, in a thinly-veiled attack on Bosnian Serb leaders, President Zoran Lilic of Yugoslavia, technically head of the Yugoslav federation but seen as a puppet of Serbian President Slobodan Milosevic, yesterday said his country will not be "dragged into war" and that "millions of Yugoslav citizens" in Serb-held areas in Bosnia "cannot be hostage to one leader". *Laura Silber, Belgrade*

Germany considers tax cuts

The German government appears to be considering corporate tax cuts in response to pleas from industry. A working on local authority taxes group comprising federal and local government officials had identified levies on working capital and operating profits as special burdens on industry, Mr Franz-Christoph Zeitler, state secretary in the finance ministry said yesterday. However, he rejected as "false" press reports that Bonn planned to increase value added tax to cover the loss of revenue. Mr Zeitler was responding to a story in Stern magazine, quoting from what it claims to be secret ministry minutes, that the government wanted to "clarify in principle the possibility of reforming corporate taxes."*Christopher Parkes, Frankfurt*

Reassurance by Dutch chain

Albert Heijn, the biggest Dutch supermarket chain, said yesterday that it would continue to sell Omo Power, a new generation of washing powder manufactured by Unilever, after receiving assurances about the detergent from the Anglo-Dutch consumer products group. The powder, called Persil Power in Britain, is at the centre of a highly public dispute between Unilever and its US rival Procter & Gamble, which has charged that the detergent damages clothing. Albert Heijn said it would compensate any customers who were dissatisfied with the powder if they could prove the detergent was bought in one of its 612 supermarkets. *Ronald Van de Krol, Amsterdam*

ECONOMIC WATCH

Setback for Spanish economy

An unexpected growth in imports halted the improvement in the current account of Spain's balance of payments in April. The monthly shortfall was marginally higher than the previous April at Pta222bn despite a sharp rise in income from tourism and other services. But the accumulated deficit for the first four months was still 30 per cent lower than the same period last year at Pta378bn (£1.82bn), according to provisional Bank of Spain figures. This reflected a 39 per cent upsurge in exports and an increased surplus from services and transfers. Tourists receipts were 20 per cent up. Some analysts believe that despite the latest figures this year could still produce a current account surplus, the first since 1986, the year of Spain's accession to the EU. Spain's gold and foreign currency reserves meanwhile decreased by $394m in May to $44.3bn, showing a total decline of $933m since the beginning of the year. *David White, Madrid*

■ Italy's retail sales index was up 3.4 per cent in February from a year earlier the state statistical institute, Istat, reported yesterday. In February, large retail chains registered a 3.8 per cent sales rise, while medium-sized retailers posted an increase of 1.6 per cent. *Associated Press, Rome*

■ New car sales in Spain rose by 31.6 per cent year-on-year in May to 87,712 vehicles, after a 7.2 per cent increase in April, according to provisional figures from the vehicle manufacturers association ANFAC.

■ Dutch consumer price inflation is expected to have remained stable at a year-on-year rate of 2.8 percent in May, according to a poll of bank economists.

Spain joins drive for EU 'great leap forward'

Quentin Peel reports from a German-Spanish summit designed to give impetus to European unification

Spain will join France and Germany in a co-ordinated drive in the European Union over the next 18 months to ensure that the 1996 conference on institutional reform – the follow-up conference to Maastricht – takes further clear steps towards European integration.

Chancellor Helmut Kohl of Germany, and Prime Minister Felipe González of Spain, both passionate believers in the process of European unification, committed themselves at their summit in Schwerin, in east Germany, yesterday to close co-operation in the planning process for the next European "great leap forward".

Spain will also be involved with France and Germany in carrying through a clear programme of EU priorities during their three consecutive six-month presidencies, beginning with Germany on July 1. That will include European-wide policies to tackle unemployment, new measures to support the emerging democracies of central and eastern Europe, and a parallel programme of assistance to the countries of northern Africa.

In spite of differences of detail on questions such as the German initiative for deregulation in the EU, and the borrowing powers of the European Commission, the German Christian Democrat and the Spanish Socialist leaders both stressed the overriding need to give impetus to the ideal of a united Europe in the wake of post-Maastricht disillusionment.

In several hours of tête-à-tête talks, , the two also sought to agree on a common slate of candidates for a whole series of top European and international jobs to be decided in the coming weeks, including the future president of the European Commission.

"He should be someone who can get things done, and who can persuade everyone to agree on common action," Mr Kohl said after a joint press conference in the Schwerin castle, former home of the grand dukes of Mecklenburg. He refused flatly to name any names, although he is widely believed to favour the candidacy of Mr Jean Luc Dehaene, the Belgian premier, against the rival candidacy of Mr Ruud Lubbers, the former Dutch prime minister.

Mr González has previously given public support to Mr Lubbers – before it became clear that Mr Dehaene was an alternative. He also maintains that the future commission president should be a former prime minister, which would rule out the candidacy of Sir Leon Brittan, the senior British commissioner in Brussels.

There is now speculation in Spanish circles that Mr González might switch his position in exchange for support for Mr Enrique Baron, the former president of the European parliament, to become the next secretary-general of the Western European Union.

At their press conference, however, the two government leaders insisted that there would be no public talk on the jobs list – which includes the secretary-generalships of Nato and the OECD, the European council of ministers, and the head of the future World Trade Organisation – until a deal was done at the forthcoming EU summit in Corfu.

"We both agreed that we would talk intensively with as many colleagues as possible in order to reach the greatest possible degree of unity on a name," Mr Kohl said. "It would not help to discuss it in public."

Their message instead, only days before the European parliament elections, of their absolute common commitment to European integration, in spite of their ideological differences.

"From a European perspective, everything is allowed which positively influences European policy," Mr Kohl said after a day of bilateral consultations. "From my point of view, Europe includes the British isles," he added, apparently concerned that his ideas might offend the UK.

He said that the main themes of the forthcoming German presidency, which would now be developed in conjunction with France and Spain, would be the whole field of job creation and European competitiveness, extending the field of common foreign and security policies. They would also include developing common policies on immigration, law and order, fighting drug trafficking and organised crime, and "everything which belongs to the theme of preparing the 1996 conference to follow up the Maastricht treaty".

Friendship flourished because of González's loyalty, says Kohl

For Helmut Kohl and Felipe González, their meeting over the past two days in the faded splendour of Schwerin, the former capital of the grand dukes of Mecklenburg in east Germany, had clear symbolic significance, writes Quentin Peel from Schwerin. It was the first time the German chancellor had held top-level talks with a fellow government leader in east Germany. But it was more than that.

The extraordinarily good personal relationship between the two, the Spanish Socialist and the German Christian Democrat, has flourished precisely because Mr González was the only west European leader who unhesitatingly supported the German unification. For the German chancellor, where his colleagues stood on the question of unification has become a touchstone for personal relations.

It is increasingly clear that the failure of Mr Ruud Lubbers, the former Netherlands premier, to back the unification process four years ago, is the most important single reason why Mr Kohl is not supporting him to become the next president of the European commission in Brussels.

Mr Kohl spelt out his appreciation of Mr González' loyalty in glowing terms again yesterday. He pointed out how few those world leaders were, back in 1989 and 1990, who had been so positive.

In private, he names only four: Mr George Bush, the former US president; Mr Brian Mulroney, the former Canadian premier; Mr Mikhail Gorbachev, the former Soviet leader; and Mr González.

One significant exception is President François Mitterrand of France, who was clearly dubious about unification until late in the process. But the Franco-German relationship is too important to allow that to cause more than a shadow between the two.

The outright opposition of Mrs Margaret Thatcher, who was publicly cool and privately vitriolic about unification, has caused far more lasting bitterness.

Mr Kohl mentioned Mrs Thatcher's opposition yesterday, to underline his appreciation of his Spanish colleague.

"Some women colleagues have written it in their memoirs," he said. "If you read what Mrs Thatcher says, you can see she thinks it was all a terrible mistake. So you can see how important it was that Felipe González supported the process.

"You belong to those who, in many critical talks, explained again and again that German unity was not a thing for the Germans alone, but was a good thing for the Europeans, and for the free world," he told the Spanish premier yesterday.

Ian Davidson

Bizarre British novelty

The UK's Euro-campaign is unusual in focusing on European issues

According to the conventional wisdom, elections to the European Parliament are not really about the European Parliament at all: they are a series of lukewarm national plebiscites, which have some relevance to national politics but not much to Europe. The voters know little about the Strasbourg assembly, and care rather less, fundamentally because the election of the European Parliament does not lead to the formation of a European government. A Euro-campaign is really just an extension of national politics.

That's the conventional wisdom, and as far as it goes it is generally true. In Germany, this week's Euro-vote is a dry run before the federal elections in the autumn; and in France it is the last national vote before the presidential elections next spring.

But what's new and interesting is that the conventional wisdom does not seem to be operating quite so well in Britain. This week's vote is supposed to be a plebiscite on the domestic standing of John Major and the Conservative government. But if so, why has the campaign been hijacked by arguments over Europe? Why have the politicians been harping on about the single currency and the opt-outs, about variable geometry and the national veto? Why has Mr Major scarcely been able to let a day pass without giving some new definition of his multi-speed, multi-layered vision of Europe? Contrary to the conventional wisdom, *this* Euro-election campaign has been dominated by European issues.

On the face of it, this is a bizarre novelty. In the past, politicians treated Europe as something alien which happened "over there". Where it could not be reduced to mercantilist arguments about the British budget rebate, it could safely be trivialised as an atavistic jousting match against all those foreigners.

In this year's Euro-debate, however, we have heard much less of such breezy sporting metaphors. And the reason, perhaps, is that it is becoming increasingly clear that the Maastricht treaty, dreadful experience though it may have been, was not the end of the story, not by a long chalk. It was Mr Major, if you recall, who summed up the 253 pages of the treaty in the memorable words: "Game, set and match to Britain." The phrase implied a triumphant, or at least a defiant, finality about that marathon. It now seems probable that the 1996 Inter-Governmental Conference (IGC) to revise Maastricht will be *even more* gruelling than Maastricht.

It will be especially gruelling for the UK, because the British government seems to be getting further and further out of step with its major partners. Mr Major is arguing for a fluid, amoeba-like Europe; but the Germans are pressing for a more integrated Europe, and it is they who will set the agenda, because they are now the leaders of the majority of member states. No doubt they will be rejoined by their traditional French allies, once the French have elected a new president and (with luck) resolved the schism over Europe inside the conservative coalition. But for the moment the Germans will call the tune.

Major has put himself in a position that guarantees maximum conflict with EU partners

The tune they are calling is uncompromisingly integrationist. Karl Lamers, the foreign policy spokesman of the ruling Christian Democrat party, openly calls for the drafting of a European constitution to define who does what. British Euro-sceptics tend to pooh-pooh the Lamers line, on the grounds that he is an unrepresentative Euro-federalist; and the people in the chancellor's office in Bonn explicitly disclaim any intention of pressing for a European constitution. But when you listen to what they say in detail, it's hard to see what else they mean.

I talked to a very senior official in Germany last week: "No," he said, "we don't want a constitution; we must just make improvements in the Maastricht treaty. But in 1996 we must try to divide the policy competences between the Community and the member states more precisely." The Germans are no doubt anxious not to set off the alarm bells in London; but this sounds like the beginnings of a federal constitution under another name.

In detail, the Germans want a much stronger European Parliament, and a strengthening of foreign policy co-operation. They will also press for much closer co-operation on police, justice and immigration policies, by transforming them from issues of inter-governmental co-operation to full European Union status.

Moreover, Chancellor Helmut Kohl remains unrepentantly committed to a single European currency, sooner or later; and now the head of the Bundesbank has called for closer political and monetary links between an inner core of the member states, as a precondition for any further enlargement to the east.

In the light of all that is known about the priorities of Germany and a majority of the other member states, it is baffling that John Major should deliberately have manoeuvred himself, in this Euro-election campaign, into a position which guarantees the maximum conflict with Britain's partners in the coming IGC.

"In 1996," says a very senior Brussels diplomat, "there are only four possible outcomes. We may have a new tight treaty; and the British will opt out of it. We may have a new loose treaty: and an inner core of states will go ahead without the British. We may have a multispeed treaty; and the British will opt for the slow lane. Or we may have a complete breakdown."

In other words, he already discounts any possibility of Britain keeping up with the pace of integration. This may seem a pity; but at least we are having a debate about it, even in a European Parliament election campaign.

THE FT INTERVIEW: Antonio Martino, Italy's foreign minister

Sceptic with a hint of enthusiasm

It is a curious irony that the first European government to be headed by a media magnate should have an image problem.

But the month-old Italian government of Silvio Berlusconi is struggling to shrug off the negative international impact of containing five ministers from the neo-fascist MSI/National Alliance.

Much of the flak falls on the shoulders of Antonio Martino, the free-market economist and political novice who has taken over as foreign minister.

"We made a mistake in not paying sufficient attention to the foreign press [during the election campaign]," Mr Martino concedes.

Having just spent much of Monday fielding queries on hostile comments made against the MSI by Mr Jacques Delors, president of the EU Commission, and an Israeli junior minister, Mr Martino is remarkably sanguine.

He attributes the attacks on the neo-fascists to attempts by European socialists to score points in the run-up to this weekend's European elections. "We are in a pre-electoral atmosphere," he says. "After Monday, things should begin to quieten down."

Though feeling his way and distracted by having to convince Italy's international partners of the government's democratic credentials, Mr Martino clearly relishes the opportunity to put his ideas into practice. He is an economist trained in Chicago under Milton Friedman, who caught Mr Berlusconi's eye writing opinionated free market articles some 18 months ago. Right until the end of the campaign for the March general elections, he was Mr Berlusconi's economic adviser and looked set to be the next treasury minister.

Nevertheless, diplomacy runs in the blood. His father, Gaetano, was the Christian Democrat foreign minister who signed the articles of the Treaty of Rome, while his cousin, Ferdinando Salleo, is a career diplomat.

Mr Martino is the first Italian foreign minister since the Treaty of Rome to question the European ideal. It would be surprising if his forthright views do not shape new Italian policies towards the Union.

"In Italy I'm considered a Euro-sceptic; but in Britain I would probably be considered a Euro-enthusiast," he says of his membership of the Thatcher-inspired Bruges Group. A convinced Anglophile, married to an American, he champions a more pragmatic approach to the consolidation of the EU. "The Maastricht treaty is not a bible."

Camera Press

Antonio Martino (in front of a poster of Silvio Berlusconi): 'In Italy I'm considered a Euro-sceptic'

Mr Martino is also critical of the Euro-socialist thinking behind the social chapter. "It may be motivated by lofty ideals but it produces some perverse results." He attributes Italy's high unemployment directly to unnecessary rigidities in the labour market, although the hire and fire laws were intended to protect the workers.

Yet he is by no means anti-EU: rather he is deeply critical of the unquestioning pro-Europeanism of previous Italian governments. "Italy said yes to everything but then was not necessarily able to implement," he says, citing Italy's inability to comply with milk quotas.

He dislikes the *dirigiste* aspect of Brussels. Governments, he says, should be free to determine their own regulations to avoid the kind of bruising national arguments over the 'Euro-sausage' or 'convergent size of condoms'.

"In the EU we have created institutions without strategies [for their use] . . . It's like buying a computer without knowing how to use it. First you must choose the software, then the hardware . . . If we believe in Europe we have to ask why."

Europe, he insists, must be demonstrably for the public good. He sees five elements of common benefit – the single market, a common currency, a common foreign policy, a common defence policy, and the need for a genuine court of appeal/ombudsman to which citizens can resort.

He supports the single market but warns it must be able to make guarantees against protectionism among individual members. On the advantages of a common currency he is more sceptical.

"If – and it is a big if – I can have guarantees that the common currency will not be mismanaged, then I'm in favour." The common currency would be beneficial, he claims, because it would reduce the cost of transactions, help stabilise international currency markets and be an alternative to the dollar, while also acting as a symbol of European unity.

"A common currency is desirable although it is not absolutely essential for the single market . . . It requires an indivisible solution – ie: it cannot be done step by step."

On a common European foreign policy, Mr Martino is wary of forming axes within Europe such as that between France and Germany. An axis means a return to "conventional diplomacy with favoured partners". To counter the latest moves by France and Germany towards tightening their co-operation, he is aware Italy might be tempted to make common cause with the UK and Spain.

The first test of Italy's Euro-diplomacy will be the forthcoming choice of a successor for Mr Delors. Instinctively Mr Martino would prefer Sir Leon Brittan, the trade commissioner, or Mr Peter Sutherland, the Irish candidate and Gatt head. Such figures, or a compromise candidate, are needed to embody a new post-Maastricht approach to union. But the Italian government has yet to make up its mind.

Italy, Mr Martino says, should be more prepared to be more opinionated on a range of issues. "One should say exactly what one feels about policy. In this I admire Mrs Thatcher, even if she may have overdone it on occasions."

This underscores the desire of Mr Martino – and that of Mr Berlusconi – to raise Italy's international profile. One problem here is that Italy, despite its size and membership of Nato, has poorly equipped armed forces. Successive governments when looking for spending cuts always turned to the defence budget, he laments.

"The defence ministry now spends less than the regional government of Sicily," he observes. If Italy is to play a bigger international role, it must have the military means – "but I don't want to sound militaristic".

He is bitter at the way Italy has been left to play second fiddle over events in the neighbouring states of former Yugoslavia. Italy has been excluded from the contact group formed between the US, Russia and the EU. "We cannot be answerable for decisions to which we are not a party," he says.

Behind this treatment of Italy lies a complex debate over whether troops should be sent to ex-Yugoslavia. Mr Martino lays down four conditions for this to happen: a peace plan must be accepted by all interested parties; this peace plan must be backed by the United Nations; the UN must request Italian troops; and the troops should then be under Nato command.

In all his answers, Mr Martino behaves as if he is master in his own house. "I think Berlusconi shares some of my Euro-scepticism. He trusts me and expects me to take care of this area of policy. As a businessman he is accustomed to the idea of delegating responsibility."

Robert Graham

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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UK needs restructured welfare system, not lower benefit levels

From Mr Richard Thomas.

Sir, Joe Rogaly ("Hand-up, not hand-out", June 7) is right to say that "any promise of full employment would be hollow without some reform of the welfare system". He is wrong to conclude that this means settling for less welfare if we want more people in jobs.

A Commission on Social Justice report to be published next week shows it is the structure and administration of benefits, rather than their level, which affects employment. And the existing benefits system in the UK needs reform in order to make work pay. This does not imply promoting a downwards competition between wages and benefits at the bottom of the labour market. It does, however, imply tackling the outdated notions of a "family wage" inherent in the current benefits structure and easing the transition from out-of-work to in-work benefits.

There is not a sterile choice between more or less welfare and more or less labour market regulation. The real challenge is to shape regulation and welfare to fit today's world.

Richard Thomas,
research fellow,
Commission on Social Justice,
Institute for Public Policy Research,
30-32 Southampton Street,
London WC2E 7RA

Lower yen rate right for growth

From Mr John Hemingway.

Sir, Recent portfolio flows have highlighted the Japanese savings surplus and the savings deficit elsewhere in the world. If rising long bond yields are not to jeopardise western growth, Japanese capital outflows need to be resuscitated.

Lower Japanese interest rates would have this effect, particularly if they also gave rise to the perception that the yen had peaked. Lower rates would not necessarily be inflationary because some indices show prices are still falling in Japan.

Lower rates could also reliquefy the banking system in the same way that they did in the US in the early 1990s. Together with a weaker currency, lower interest rates would stimulate growth and demand for US exports.

Why, then, doesn't Japan cut interest rates and the US ameliorate demands for managed trade?

John Hemingway,
director,
PDFM,
Triton Court,
Finsbury Square,
London EC2A 1PD

Tax and unemployment

From Mr John A Chudley.

Sir, With reference to Samuel Brittan's excellent, if slightly technical, article, "Sad jubilee for a white paper" (Economic Viewpoint, June 2), why not return to an old idea of "negative income tax" with unemployment support equal to personal allowances and permitted earnings equal to the earned income allowance?

The latter could be increased in times of high activity, taking some of the pressure off wage levels and increasing the "pricing in" premium. It could then be correspondingly reduced when recession threatens.

The whole could be simply administered (perhaps too simply to suit the bureaucrats) and would at least partly relate costs to taxation revenue.

John A Chudley,
Tripoleos 4,
Nafplion 21100,
Greece

From Mr William Hodgson.

Sir, Samuel Brittan asserts that "the proximate explanation for this hard core [of structural unemployment] is that pay and related costs make workers unprofitable to employ". Actually, all that has happened is that more and more women have sought to join the working population, particularly since 1970.

One reason is the high level of average and marginal taxation and national insurance suffered by those in "low paid jobs". Hence, many of the hard core of unemployed collect benefit but also work for cash.

The "discussion" of full employment could usefully move on from monetary policy, labour market details and social security to changes in tax thresholds, including the pernicious national insurance contribution.

William Hodgson,
Tumblecroft, Upper Marden,
Chichester, West Sussex

Too late to catch news

From Mr Günther B Pamberg.

Sir, As someone reared on the banal journalistic diet, with scarce news and abundant comment, highlighted in "A dull day in Germany is..." (June 5/6), I know James Morgan missed the obvious reasons: German journalists seem to knock off work at the latest by 5pm and late-breaking stories just do not get into the next morning's newspaper.

I have to get my late German news out of the Financial Times and International Herald Tribune. German journalists also seem to dislike leg-work to dig out the real story behind the story and prefer to sit behind their desks to compose the abundant comment.

Günther Pamberg,
51, Chemin de la Gare,
Case postale 284,
CH-2900 Porrentruy,
Switzerland

Short list of high pay-outs

From Mr M J Hart.

Sir, Nothing emphasises more the misunderstanding by Stephen Dorrell, financial secretary to the Treasury, of the financing of publicly quoted companies than his weekend statement that "it may be right for Glaxo and ICI to distribute as they do but it isn't right for an expanding high-tech firm with a capitalisation of £50m".

I have been in the City a long time, but I cannot recall too many expanding high-tech firms noted for their high pay-outs.

Perhaps Mr Dorrell could produce a list. It would be a very short one.

M J Hart,
chairman,
Foreign & Colonial Management,
Exchange House,
Primrose Street,
London EC2A 2NY

Water company gearing should be questioned

From Y Kovach.

Sir, Lex concludes (May 30) that the ability of water companies to meet the efficiency targets of Ofwat, the regulator, is what matters to shareholders. Not for him to inquire why an industry with the highest quality of earnings is so lowly geared? The combination of an indispensable product and captive customers cries out for the maximum of cheap debt finance and the minimum of expensive equity. Instead, we have the alchemy of water into gold, a regulated high-reward, albeit risk-free, industry.

Today's customers are being doubly milked to provide shareholders with a generous dividend pay-out and, through substantial retained earnings, much of the equity for projects to improve water quality and the environment for the next generation of customers.

Ofwat should derail this low risk/high reward gravy train by calculating its "inflation minus x per cent" water charge formula on the assumption that most of the ring-fenced capital employed is financed with index-linked bonds. In order to minimise the need for interest cover, Ofwat should state the obvious – monopoly water suppliers do not go bankrupt and hence will always be allowed to meet their debt payments. Equity's role would be diminished to that of ensuring effective management. Ofwat would then be able to fine tune the water charge formula so as handsomely to reward shareholders of well-managed water companies at little cost to customers.

Y Kovach,
38 Lebanon Park,
Twickenham,
Middlesex TW1 3DG

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

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Ways to cure unemployment

In the member states of the Organisation for Economic Co-operation and Development unemployment stands at 35m, 8½ per cent of the labour force. This is the gravest economic failure and social problem they confront. That is why the OECD secretariat was asked to prepare its study of employment and unemployment. It is also why careful attention needs to be paid both to its analysis and to its largely persuasive recommendations.

Inevitably, the subtleties are lost in the fevered British political debate. All parties can claim some support from the OECD, although the Conservative party's deregulatory approach wins the battle on points. The OECD insists, for example, that statutory minimum wages "often end up damaging employment opportunities for unskilled labour". Similarly, it remarks that employment protection legislation "can make employers more reluctant to hire new workers". Yet, faultlessly even-handed, it also points out that minimum wages can be varied, by age or region, and that "employment security can encourage investment in on-the-job training".

Such eclecticism can be irritating, but, in this case, it has virtues. For this report shows not only how far performance diverges, but that virtually all countries fail in at least one respect, while remedies must be multi-dimensional, because the problem is. No single bullet will slay the unemployment dragon.

Performance varies dramatically even within the European Union. In 1993, the youth unemployment rate was only 4.9 per cent in Germany, but 24.6 per cent in France. Female unemployment stood at 6.1 per cent in Germany and 8.1 per cent in the UK, but at 28.9 per cent in Spain. The long-term unemployed were 59.0 per cent of the total in Belgium, but only 27.0 per cent in Denmark.

Markedly worse

For all that, overall EU employment performance was markedly worse than in the US, or Japan. EU-wide youth unemployment stood at 20.6 per cent, for example, as against 13.3 per cent in the US and 5.1 per cent in Japan. The share of long-term unemployment stood at 42.3 per cent of the total in the EU, but 11.2 per cent in the US. Employment has hardly grown in the EU since 1960, while it is up more than 80 per cent in North America.

Yet all is not well in the US. Real wages of low-paid workers fell by more than 1 per cent a year in the 1980s, while wage differentials have risen considerably. The US then has a real income problem, just as the EU has an unemployment problem. Since the aims must be higher employment, lower unemployment and higher real wages, this seems to create a nasty dilemma. Is a growing army of the working poor a necessary result of successful policies to promote employment?

Growing gap

The OECD is not that pessimistic. Naturally and rightly, it rejects protectionism or policies to slow technological change. It insists, instead, that "the single most important cause of rising unemployment, as well as a growing incidence of low-wage jobs, is a growing gap between the need for OECD economies to adapt and innovate and their capacity and even will to do so".

Its array of policy recommendations include macroeconomic stability, faster diffusion of technological know-how, increased flexibility of working time, nurturing entrepreneurship, making wages and labour costs more adaptable to market conditions, reforming employment security provisions, making labour market policies more pro-active, improving skills and competences and, most important of all, reforming benefit and tax systems, to ensure that social objectives are achieved in ways that impinge less on efficient functioning of labour markets.

Every country should examine all these policies, to improve the trade-off between high employment, on the one hand, and rising and reasonably equal real incomes, on the other. Yet dilemmas remain. Education and training are long-term policies. In the meantime, jobs offered to the unskilled must be profitable for employers, and remunerative to employees.

There are two possible strategies: restricting the availability of social benefits or shifting them sharply towards job-promotion. The former is ruthless, the latter expensive. A third possibility consists of leaving things in the EU largely as they now are. But if EU members remain determined to preserve their current welfare states and labour market protection, they may find unemployment rising still further. In the long term, that could well be the most socially damaging choice of all.

How not to pick a Euro-leader

Europe owes a great deal to Franco-German co-operation. Without the driving force supplied by Bonn and Paris, the postwar community of European states would never have flourished. Wisdom displayed by the two countries' successive leaders has benefited the entire continent. One striking example was President François Mitterrand's support for deployment of medium-range nuclear missiles in Germany a decade ago. This strengthened Chancellor Helmut Kohl's policies at a crucial time. Mr Mitterrand thus made an important contribution to the eventual end of the cold war, paving the way for German unification.

In spite of these successes, Bonn and Paris are not immune to mistakes. Mr Mitterrand and Mr Kohl are making one now in their efforts to steer the presidency of the European Commission towards Mr Jean-Luc Dehaene, the Belgian prime minister. Having decided on their candidate, France and Germany appear to be trying to impose him on the rest of the European Union, in spite of reservations by countries such as Britain and Italy. The objective of the campaign is misguided. Additionally, the way it is being carried out runs counter to the principles on which the EU should be doing business.

Vital role

The successor to Mr Jacques Delors will play a vital role in shaping the European Union during the next five years. As it tries to improve members' economic performance and deepen and widen existing integration, the Commission needs to be made more efficient, more cohesive and more persuasive.

The right candidate will require vision and ideas combined with administrative skills and tough-minded negotiating ability. Mr Dehaene appears to have won support from Mr Kohl, in particular, on the grounds of his Christian Democrat party membership, his backing for political and monetary union, and his adroit handling of the 1993 European summit in Brussels. However important these attributes are, they are not sufficient to guarantee him the job. Mr Dehaene is already discharging with tenacity the difficult task of holding together his fractious Belgian coalition. Since there are three other contenders for the Commission presidency, all with relevant qualities which Mr Dehaene lacks, Europe would probably be best served if the prime minister were to remain at his post.

European integrationist

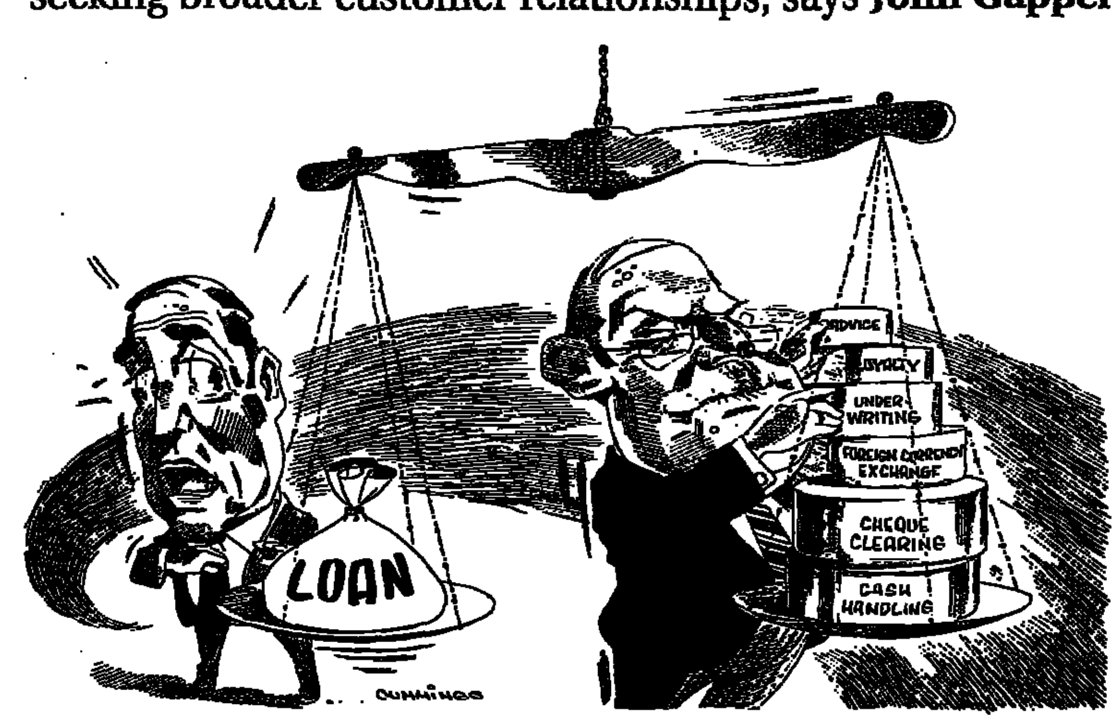
Of the others in the running, Mr Ruud Lubbers, the Dutch prime minister, has strong credentials as an Atlanticist and as a European integrationist. His economic policy accomplishments during 12 years in government are impressive. The Netherlands is one of the few countries close to fulfilling the Maastricht criteria for economic and monetary union.

Sir Leon Brittan, the UK's senior EU commissioner, has a sceptical mind, but is also a strong believer in the benefits of European union. His reputation has been improved by his contribution to concluding the Uruguay Round. Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, and a former Brussels competition commissioner, is not a front runner in the race. But, like Mr Lubbers and Sir Leon, he has a proven international track record.

EU voters are preparing to go to the polls for the parliament elections on June 9 and 12. Austrian voters look nervous about the EU ahead of this weekend's referendum. Yet the horse-trading among governments about the Union's new chief executive is taking place in secrecy. If the next president is to give the Union the independent-minded, persuasive leadership it needs, he or she needs to be the right person chosen in the right way. That requires national leaders to state openly what they consider to be the qualities required for the job and then for candidates to come forward publicly, so that their merits can be examined and discussed.

Better balance for loan arrangers

Falling profits from corporate lending mean UK banks are seeking broader customer relationships, says John Gapper



For bankers who lend money to large companies in the UK, this has been an unsettling year. Six months ago it appeared that the business, which was hardly worth the candle by the end of the 1980s, had been revived. But banks now face the return of hard times. "We have managed to transform very thin returns, but we are beginning to fall back over the edge," says one banker.

The pressures have yet to hit published profits. Operating profits in the Royal Bank of Scotland's corporate and institutional banking division were £82m in the six months to March, compared with £58m in the same period a year before, while National Westminster Bank's corporate and investment banking arm, NatWest Markets, doubled profits last year. Yet this earnings level is under pressure as banks compete for business.

The most obvious evidence is in the price of loans, which has fallen sharply this year. Large companies which had to pay interest of 0.5 per cent (above wholesale interest rates) on loans a year ago are now being charged closer to 0.3 per cent. "In the last six months, banks have given up half the lending gains they made in the past six years," says Mr Roger Byatt, deputy chief executive of NatWest Markets.

Banks have found a distinct lack of enthusiasm for borrowing among large companies, whose ability to tap capital markets more cheaply means they use bank loans mainly as standby finance, similar to overdraft facilities for individuals.

Furthermore, other services that banks have relied on heavily in the past two years to compensate for low returns from lending – such as foreign exchange contracts and financial derivatives – are under pressure. Less volatility in European exchange and interest rates means banks are selling fewer products and at lower margins.

The recognition that income from lending to large companies will probably never recover to levels where it gives an acceptable return on capital has galvanised banks. Following the example of other banks, Barclays' new chief executive, Mr Martin Taylor, has just reorganised its corporate banking services – ranging from lending to cash management and equity underwriting – into a single group.

Mr Graham Pimlott, the Barclays executive who recently took charge of this group, says that although UK banks have tried in the past few years to improve corporate banking profits, they have not gone far enough. "Lending as a profitable business has been in decline for many years. US banks responded to that in the 1980s, and it is slightly surprising that it took us 10 more years to respond to it," he says.

Lending profitability deteriorated sharply in the late 1980s, as competition among strongly-capitalised banks reached a peak. One banker estimates that banks need to charge about 1.4 per cent interest on loans to large companies to make adequate returns on capital.

The fall in margins in the 1980s compounded other problems faced by British banks in dealing with large companies. First, in contrast to continental European banks, commercial and investment banking were divided. As large companies raised more funds on capital markets, a growing proportion of their business passed from commercial banks to investment banks.

A second problem was that their technology did not allow most banks to calculate the total profits they made from each customer, the risks they ran, and the costs they incurred. Many wanted to lend as much as possible, even at low margins, to cover fixed costs. This drew them into making loans to companies with which they did no other business, on terms which did not earn a sufficient return on capital.

These risks were exposed when many large companies, such as Olympia & York, the Canadian property group, collapsed or had to be refinanced in the early 1990s.

The combination of large losses, and new capital requirements imposed by the Basle-based committee of international bank supervisors, led many banks to reshape their business with large companies. Mr Byatt says this process has been so effective in NatWest's case that it has raised its earnings from large companies to three times the level of the late 1980s.

Banks have been reforming their approach to large companies in several ways:

- They have analysed the returns on capital of each relationship with a large company – including services such as cash handling and lending. This has shown that lending alone is no longer profitable enough. "You have to gear lending with other forms of income to make an adequate return on capital," says Mr David Harrison, head of corporate banking at Lloyds Bank.
- They have ended relationships with companies which want only to borrow money. NatWest Markets has reduced its customer base from a peak of 2,400 to about 900.

Banks have played on the greater vulnerability of some recession-hit customers by pointing out that they are more inclined to rescue those loyal in good times. "Banks find it harder to support clients who fall on hard times if they were operating purely in a transactional way, and trying to squeeze every last basis point from their bankers," says Mr Byatt.

- They have raised lending profits by adding higher-margin loans as old ones have expired. They have been helped by the withdrawal of many Japanese banks from the London market because of difficulties in their domestic markets in 1990.

But the strongest thrust has been to try to improve profits by selling more products to companies, using the lending relationship as an introduction and lever. Mr Iain Robertson, head of corporate and institutional banking for Royal Bank, says his bank makes clear to companies merely wanting to borrow that "we intend to work with them in the longer-term to ensure we build a profitable relationship".

It is difficult for banks to do more than suggest that they deserve a slice of more attractive business in return for a loan. There is strong competition for the most profitable forms of wholesale banking. Companies can insist on banks making loans before they consider buying other services, such as foreign exchange contracts.

Moreover, not all other forms of banking activity are so profitable that they make up for depressed lending margins. Mr Harrison of Lloyds argues activities such as cheque clearing and cash handling are a valuable addition to lending. But others argue such transactions are hardly more profitable than lending.

Probably the greatest prize for commercial banks would be to persuade their blue-chip clients to use them as investment banks as well as commercial banks. If such borrowers sought corporate finance advice or asked their banks to underwrite equity issues, the banks would have captured the most profitable businesses from investment banks.

This is the rationale for National Westminster bringing its corporate and investment banking operations together in NatWest Markets two years ago, and for Mr Pimlott taking control of both corporate lending and merchant banking within Barclays. Yet banks face difficulties in persuading UK companies to accept advice, loans and underwriting from a single source. Many companies are doubtful about the quality and independence of the advice they might receive.

Even Mr Pimlott is cautious about the chances of short-term success, arguing that it would be counter-productive to try to pressure companies to use the whole range of products and services now under his remit. "In my experience, customers do not like people arriving and trying to force them to use one service when they are quite happy using another," he says.

Yet the pressures on banks such as Barclays and NatWest to induce companies to buy such products will grow if they cannot sustain the recovery in profits of the past two years. Mr Byatt of NatWest says the bank was surprised by the rapidity with which it improved earnings after integrating its lending and investment banking activities. But he admits that it will be hard to maintain the momentum. As loan margins deteriorate and profits are squeezed, the hard times of the late 1980s no longer seem so far away.

David Goodhart argues UK interpretations of European labour laws are unfair and misleading

Social chapter misread

European labour law is the issue that has most sharply divided the two main parties in the UK's European election. But in so doing, it has become a focus of rhetorical exaggeration and straightforward misunderstanding on both sides.

In the course of the campaign, the social chapter, a voting mechanism which makes it easier for the European Union to pass some types of employment legislation, has been routinely and wrongly described in the UK as ushering in a 35-hour week and a minimum wage.

Last week Mr John Major, the prime minister, attributed France's rising unemployment to its acceptance of the social chapter and Britain's falling unemployment to its rejection of it. This assertion belied the fact that not a single piece of European employment legislation has been passed under the terms of the social chapter.

The argument over workers' rights and conditions does overlap with genuine *domestic* policy differences on labour market regulation. But neither the existing framework of European employment law, nor proposed extensions to it, can bear the weight of acclaim or disapproval heaped upon it by, respectively, the Labour and Conservative parties.

There is "much nonsense" talked in the UK about both the volume and the nature of social legislation at a European level, says Mr Padraig Flynn, social affairs commissioner in Brussels. More than 90 per cent of employment legislation, and the costs associated with it, is determined by national governments and not by Brussels. The three main areas where Europe has an impact – health and safety, equality for men and women, and labour mobility – are all relatively uncontroversial.

Further, the din of hustings rhetoric has obscured the fact that the scope of Europe's social ambitions is going through a subtle mutation or "a period of creative confusion", according to Mr Peter Reid, of the UK's Engineering Employers Federation. A few months ago Mr Reid and others were worrying that social legislation would be extended into national domains such as individual redundancies.

Not any longer. The first clear step away from the agenda of detailed Europe-wide legislation to protect those at work came last December with the white paper of Mr Jacques Delors, European Commission president, on growth, competitiveness and employment. That paper – like yesterday's jobs study from the Organisation for Economic Co-operation and Development – called for more flexible labour costs and for a better balance between protection of the employed and access to work for the unemployed.

Mr Flynn's less noticed green paper on European social policy, which will itself become a more formal white paper next month, is expected to mark a further step away from detailed, prescriptive labour legislation.

In a recent speech, Mr Flynn said Europe's social dimension had established a critical mass and now required less legislation. "It is no longer possible, or productive, to focus too narrowly on specific questions such as labour law," he added.

The scepticism of the UK government has had some effect in this debate and there is growing interest in labour market deregulation throughout Europe. But this does not mean that the social dimension is dead, or that Britain has "won the argument".

Even after some deregulation, most EU countries will have more regulated labour markets than the UK. Germany and Spain now see Europe-wide minimum standards – on, for example, part-time worker rights – as a useful balance to domestic deregulation.

Even in the UK, clashes over labour law seem set to continue at least for a couple of years. Though the UK won an opt-out from future social chapter legislation during the Maastricht treaty negotiations, the rump of 1980s legislation coming into force now means that British workers are acquiring new rights in maternity leave, working hours and part-time work.

These measures amount to a qualification, not a negation, of the deregulatory policies of the Conservative government. For instance, Europe has not prevented the abolition of minimum wage protection in the UK.

The above regulations, and the current batch of directives on matters such as parental leave for childcare, represent the last gasp of 1980s social Europe. Mr Flynn suggests the future will be more modest.

There will be more emphasis on implementing existing legislation (Greece has implemented virtually no health and safety legislation), and more sensitivity towards subsidiarity in the social field where, many argue, decisions should remain at national level.

In the longer run there is likely to be more harmonisation of employment standards and even pay rates in Europe, but this will probably be the result of economic integration, not directives. It is also likely to involve convergence between British deregulation and continental regulation. As Sir Adrian Cadbury, chairman of the Cadbury inquiry into corporate governance, said last week, talking about the company of the future, Britain will move towards Europe in giving employees more rights, while Europe will move towards Britain by doing the same for shareholders.

OBSERVER

Fight to the Finnish?

■ You can tell a bully – they are the ones who always pick fights with much smaller people. Vladimir Zhirinovsky, the flamboyant Russian nationalist politician, has selected a female Finnish journalist, Jutta Ziliacus, for his latest punch-up. She apparently queried his mental fortitude in a recent article; now he's suing her.

The man from Ivantheterribleograd is little-loved in Finland. He says the Finns can have eastern Karelia back – they lost it to Russia in the Winter war of 1939-40 – but the price will be that all Finland is reunited with Russia. Zhirinovsky is also suing a Helsinki theatre, currently running a farce entitled Mein Kampf by Hungarian dramatist George Taboris. Zhirinovsky's lawyer claims the central character – Herr Schicklgruber himself – spouts words taken from Zhirinovsky's speeches.

Damages of around $2.5m are being sought. But Zhirinovsky has shot himself in the foot again. In Finland, at least, libel damages are usually nominal.

They toil not

■ So, fresh from a relaxing sojourn at his Normandy holiday home, Peter Lilley has agreed to reappear in support of Britain's Tory government in its European election campaign.

It seems the secretary of state for social security will now show up in Bradford, bolstering the hopeless cause of the Conservative candidate in that town's by-election. A hastily arranged programme – to persuade us his absence in no way reflected his disdain for the European Union – will also see Lilley visiting a factory in Leeds, as well as on walkabout in Huddersfield.

Tory central office is deeply embarrassed at Euro-sceptic Lilley's preference for a relaxing holiday over supporting the prime minister on the stump. Not everyone shares that chagrin. "We are better off without him," says one of Major's unhappy band of pro-European ministers.

Winds of change

■ John Major, watch out – The Bloke Next Door is after your job. Ken Clarke has sniffed the wind and the bouquet is sweet. What else could have induced the chancellor to agree to being profiled in a BBC television programme so entitled, scheduled to be broadcast on June 19?

Apparently, viewers will learn that beneath the hail-fellow-well-met exterior throbs the heart of a nasty piece of work: "Behind the plump exterior there's a ruthless streak . . Ken's not at all the man he appears," says Lord Parkinson.

That's all we need – another Tory party leader who is not all he or she appears to be.

'Let's face it, our relationship has been multispeed for years'

Alchemy rules

■ Good old Sir Denys Henderson. Who else but the chairman of ICI dare lecture a group of fat cat bankers that "only the successful, youthful merchant bankers seem to benefit from the excessive personal rewards which are so hard to justify by the normal standards of industrial remuneration"?

He should know – as chairman of Barclays Bank's remuneration committee he presumably gave the thumbs up to the £1.4m paid to BZW chief executive David Band, 51, Barclays' highest paid director last year.

Blair's flair

■ Labour peers do not feel the need to keep quiet about whether or not they see young Tony Blair as the next leader of the UK's Labour party.

Lord McIntosh of Haringey, spokesman on home affairs in the Lords, yesterday repudiated a suggestion that Labour was "soft" on squatters. "If I were to suggest we were, Tony Blair would have me shot at dawn," he said.

Party time

■ Rarely has there been a finer array of parties to choose from than in Thursday's UK version of the elections to the European Parliament. Pity only 50 per cent of Britons apparently know what the parliament *is*.

Never mind. Besides all the obvious dull worthies, Observer fancies the chances of the 'Rainbow Connection Oui-Say-Non' party, though the choice of four splinter versions of the ubiquitous 'Raving Loony' faction might squeeze a vote here or there.

Fervent athletes might find a common front with the 'European People's Party Judo/Christian Alliance'. Heinz employees could plausibly be deluded into casting a glance towards the 'Eurobean from the planet Beanus' party. No doubt a few angry parents will put a cross against the 'Network Against Child Support Agency' party.

Though who will find themselves in sympathy with the Mccarthy-ites – the 'Make Criminals Concerned About Our Response to Hostility and Yobbishness' party?

Oh, I see – expecting a mass turnout of disillusioned Tory *voters* . . .

Beating time

■ Observer hears mixed reviews of the Geoffrey Burgon number – *First Was The World* – which has been commissioned specially for the Bank of England tercentenary and gets its world premiere tonight.

A setting of a poem by Marvell, it involves several sharp lurches in tempo and requires the 140-strong choir to do much lengthy and noisy humming.

However, the conductor, Sir David Willcocks, seems to have got the measure of tonight's star-studded audience of more than 150 central bank governors.

He has reminded the choir performing the tricky number that the audience "probably won't know that much about music. But they can count".

FINANCIAL TIMES
Wednesday June 8 1994

BA looks for a bigger role in Chinese air transport industry

By Paul Betts, Aerospace Correspondent, in London

British Airways is stepping up its role in the modernisation of the Chinese air transport industry through joint ventures and partnerships with regional carriers.

BA is already co-operating with China Southern, the Guangzhou-based airline, and is in talks with Shanghai-based China Eastern Airlines, Mr David Holmes, BA's director of government and international affairs, said yesterday.

Like other international carriers, BA now sees more promising long-term opportunities in China than in Russia, where its project to start a new airline called Air Russia has been placed on hold indefinitely.

This week's crash of a China Northeast Airline's Russian-built Tupolev Tu-154, in which 160 people died, has added to the urgency of overhauling the country's aviation system. It was China's worst air disaster.

But, in contrast to Russia's instability, China offers an administrative framework for business, Mr Holmes said.

The Civil Aviation Administration of China and Chinese airlines have become increasingly conscious of their technical weakness and the urgent need to improve safety, punctuality and efficiency standards in the face of explosive domestic air traffic growth, which is averaging 30 per cent a year.

China is keen to commercialise its state-controlled airline industry and is proposing to sell stakes to foreign investors in its 33 regional carriers. It has suggested listing some of the bigger carriers on the New York Stock Exchange in an effort to secure outside financing.

BA is not pushing to take a stake in one or more Chinese airlines but its longer-term ambition is to negotiate a marketing agreement with a carrier such as Chinese Eastern to co-ordinate services at Beijing airport.

BA, however, recently met Chinese aviation officials in the UK to discuss ways forward for Chinese airline privatisation.

BA has also entered a joint engineering venture with a fellow Boeing operator, China Southern, and has sold this company computer services. The British airline sees pilot training as another area of possible co-operation with Chinese carriers.

BA, which flies twice a week from London to Beijing and is keen to double its weekly services, is anxious to establish a stronger foothold in China at a time when some of its main international competitors are intensifying co-operation with Chinese airlines.

Lufthansa of Germany already operates six flights a week to Beijing and is involved in a large aircraft maintenance centre in the Chinese capital.

Singapore Airlines has earmarked China as one of its three main growth areas for the next decade together with India and Vietnam. It has taken a 40 per cent stake in the company handling ground services at Beijing airport and another 40 per cent stake in Beijing airport's inflight kitchen group.

Singapore Airline's engineering subsidiary has also invested in a 10 per cent stake in the Xiamen joint engineering venture which includes Cathay Pacific and Japan Air Lines. Its leasing company has leased a Boeing 767 to China Southern.

S Korean police put on terrorist alert

By John Burton in Seoul

South Korean police forces yesterday were placed on emergency alert to guard against possible terrorist attacks in connection with the North Korean nuclear dispute.

The new alert came as the International Atomic Energy Agency said yesterday the truth may never be known about the intention of North Korea's nuclear programme, and stressed that its inspectors must have access to nuclear waste sites.

Some analysts believe the most likely response by North Korea to threatened UN sanctions could be terrorist activity in South Korea and Japan, rather than a conventional military attack.

The police are increasing surveillance of air terminals and ports to prevent infiltration by North Korean saboteurs and spies, while bolstering security at government buildings and foreign embassies in Seoul.

South Korean president Kim Young-sam today will convene the first meeting of the national security council – which consists of senior government ministers – since he took office 15 months ago. The council will discuss the military situation on the Korean peninsula and preparations for a possible conflict.

The government will also seek support for sanctions from the main opposition Democratic party, which fears that punitive measures against the North could trigger a war.

Mr Kim yesterday warned that North Korea faces international isolation and eventual destruction if it persists in developing nuclear weapons.

Senior US and Japanese officials will meet Mr Han Sung-joo, South Korean foreign minister, on Saturday in Seoul to discuss co-ordinated actions on implementing proposed UN sanctions against the North.

The visiting officials include Mr Koji Kakizawa, Japanese foreign minister, and Mr Peter Tarnoff, US undersecretary of state for political affairs.

The UN Security Council is unlikely to consider a sanctions resolution until next week at the earliest. The US is still consulting with other permanent members of the Security Council and no draft resolution has yet been circulated or distributed.

The US, Japan and South Korea support the immediate introduction of limited sanctions that would gradually escalate in their severity.

But in an effort to win Chinese support they may propose an interim UN resolution instead that gives North Korea a final deadline to open its nuclear facilities to full international inspections and avoid sanctions.

Mr Han, who has been holding consultations at the UN, expressed confidence that China would eventually support some form of sanctions if North Korea continued to refuse inspections.

But North Korea is also bidding for Chinese support. General Choe Gwang, the chief of the general staff of the North Korean people's army, is holding talks with his Chinese counterparts during a week-long visit to Beijing that began on Monday.

Leading UK actuarial firm in discussions over US 'alliance'

By Norma Cohen, Investments Correspondent

R Watson and Sons, Britain's leading actuarial consulting firm, is in talks about "an alliance" with US-based benefit consultants Wyatt and Co in a bid to strengthen Watson's service to its increasingly multinational clientele.

A spokesman for Watson yesterday confirmed that discussions are going on but said "they relate to an alliance, not to a merger or a takeover."

Senior partners are discussing what form the alliance should take and a formal announcement is expected next week.

The move reflects the increasingly international nature of leading UK clients which are acquiring or being acquired by overseas companies. "Increasingly businesses are multi-national and they want to manage their employee liabilities from the core," said one senior actuary involved in the talks. Also, clients are seeking other benefit consultancy services, such as the design of remuneration packages, which go beyond Watson's pension fund consulting expertise.

An outright acquisition of Watson, valued by industry sources at £50m to £60m, could make millionaires out of several of its 94 partners. However, industry sources said that some of Watson's most senior partners, while anxious to broaden the firm's international consulting capacity, want to maintain its independence. "Several of them have been going around saying 'Over my dead body,'" said one actuary familiar with the talks.

Watson becomes the third – and the largest – of the UK actuarial consulting firms to seek a link with a large US company in the past year. Noble Lowndes was acquired by insurance brokers Sedgewick late last year while US-based insurance brokers Alexander and Alexander acquired Clay and Partners.

Wyatt and Co, which is organised as a Delaware-based company whose shares are owned by its 3,700 employees, has a leading presence in the US. It specialises not only in pension consulting but in a broad range of employee benefit and pay packages. It also has a leading market share in the Australian, Hong Kong and Japanese markets. However, it has few blue chip UK clients.

Watson has a commanding presence in the UK where it acts as actuarial consultant to 40 of the 100 top pension schemes.

EU faces snub from Austrians

Continued from Page 1

follow suit. The governments of Finland, Norway and Sweden have all watched the crumbling opinion poll lead of the pro-European Union campaign in Austria with a mounting sense of alarm.

With the opposition to the EU holding a solid lead in the opinion polls in Sweden and reaching 56 per cent – the highest level this year – in Norway this week, prime minister Carl Bildt's right-centre coalition in Stockholm and Mrs Gro Harlem Brundtland's minority Labour government in Oslo badly need an Austrian Yes.

In Finland, polls suggest most voters are in favour of joining the EU. But prime minister Esko Aho's centre-conservative coalition is troubled by an internal EU-related row.

THE LEX COLUMN

Mobile market

Mr Gerry Whent, Vodafone's chief executive, was typically gung-ho at yesterday's annual results. Not only did he predict that Vodafone's revenues per subscriber would hold at last year's level of £665, despite new rivals in the shape of Orange and Mercury One-2-One, he even forecast that competitors would raise their prices to near the level provided by Vodafone's "umbrella".

If Orange and One-2-One do indeed shelter under Vodafone's umbrella rather than dragging it into a price war, the company's premium rating would be more than justified. But it would be wrong to take Mr Whent's forecasts at face value. They are best regarded as attempts to lure the new players into a cosy oligopoly rather than predictions.

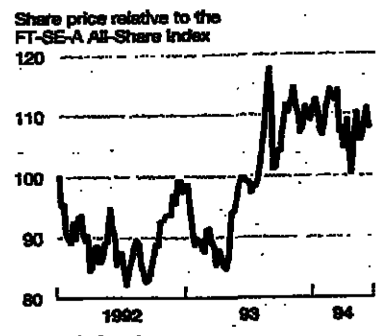
If anybody can pull off this feat, Mr Whent is probably the man. But the dynamics of the new tetrapoly will be harder to control than that of the old duopoly. When Orange and One-2-One attain nationwide coverage in two or so years, their imperative will be to fill their networks up. It is hard to see that being achieved without large price cuts.

Meanwhile, Vodafone's international strategy is set to move up a gear. It wants to increase its stakes in overseas licences, turning them from investments into associates and eventually subsidiaries. Greater control would help Vodafone add value to its investments, some of which have not performed well. The group is also likely to bid higher prices for new licences. That makes sense given that Vodafone lost the Italian licence through too low a bid. The more aggressive approach should enable Mr Whent to meet his expansion targets. But it will not come cheap.

FT-SE Index: 3004.8 (-4.6)

Vodafone

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Anglian Water

It is staggering that nearly five years after privatisation Anglian Water can cut one-in-five jobs from its utility business. Studies conducted by Ofwat, the industry regulator, do not show Anglian to be especially inefficient. Yesterday's £60m restructuring charge therefore hints at what might be achieved elsewhere. The promised £20m annual saving amounts to around 7 per cent of Anglian's operating costs in water and sewerage. On that basis, it looks well placed to beat all but the most onerous efficiency targets set by the regulator for the second half of the decade.

Still, it is curious that Anglian should show its hand before Ofwat has finalised its targets for 1995-2000. The company must have reasoned that Ofwat is far enough down the road not to indulge in last minute tinkering. To do so would rob management of the incentive to cut costs, which is precisely what the system of price cap regulation is supposed to deliver. If Ofwat does keep its side of the regulatory bargain, though, the outlook for dividend growth may be better than the equity market has assumed. The savings promised by Anglian are significant in relation to the £67m annual cost of its dividend.

Until Ofwat announces price limits and efficiency targets on July 28, it would be unwise to get carried away. Neither is it clear that all water companies have the management determination to push through similarly deep cuts. If the regulator allows a reasonable proportion of such savings to flow through to shareholders, though, the sector may have been oversold.

Germany

German bond markets were inclined to take fright at yesterday's first-quarter growth figures. Their instinct may be right, even though the figures must be taken with a pinch of salt. The 2.1 per cent increase in output over the same quarter of last year falls to 1.6 per cent when account is taken of the extra working day in the 1994 period. It was also boosted by a weather-related increase in construction output which is unlikely to carry forward into the second quarter. Meanwhile, the underlying trend of personal consumption is weak. Despite the further fall in unemployment in May, the recovery has only just begun. It is far too early to worry about over-heating.

Yet rising output gives the Bundesbank even less excuse to ignore the explosion in M3 money supply and cut official rates again. Nor, now that the dollar appears to have stabilised, is there pressure emanating from the exchange markets. Indeed the D-Mark has also recently fallen slightly against European currencies as bond investors have sought to exploit yield differentials with other markets.

October's election and the prospect of tax increases next year are likely to keep consumption muted. There is a risk that high long-term interest rates will dampen the recovery too. That risk will be greater if money is sucked back into the US bond market once the Federal Reserve stops tightening. Then Europe will be left wondering how to cope with its own turn in rates.

Alexander & Alexander

Alexander & Alexander's shareholders must hope that the involvement of a well-informed investor like AIG marks the turn. The insurance brokers' shares are trading lower than at any time since the late 1970s. AIG's $200m investment in convertible stock should allow A&A to buy reinsurance to limit its underwriting losses. Financial flexibility should also help attract a credible chief executive. But the performance of the shares thereafter depends on mangement's ability to get to grips with operational problems. Willis Coroon's last results were a reminder that conditions in US retail brokerage are unhelpful. Unlike AIG, ordinary shareholders do not have the benefit of a preferential 8 per cent yield for comfort.

National Grid

The regional electricity companies are going to find it hard not to give the green light for a flotation of the National Grid. Yesterday's 15 per cent rise in the Grid's dividend seems designed to maintain the pressure. It further highlights the value of the recs' stakes in the Grid, which could be worth £4bn as a stand-alone entity. The recs' share prices responded accordingly, with their combined market capitalisation rising by over £100m. But the further share prices rise in anticipation of a flotation, the more the recs are boxed in. They presumably know that a decision not to press ahead would leave investors disappointed and hit their share prices.

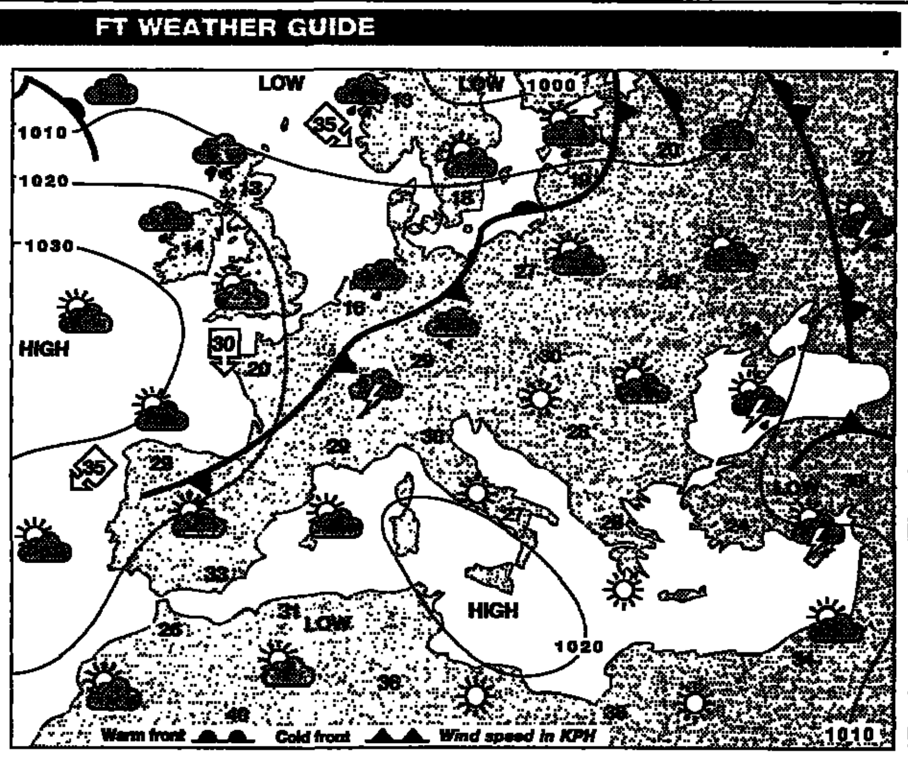
FT WEATHER GUIDE

Europe today

Germany, eastern France, Poland and the Balkans will be sunny and quite warm. Meanwhile, much cooler air will penetrate into western Europe resulting in thundery rain over a broad area from the Netherlands to southern France. Scandinavia will have sun and showers, while Scotland and northern Ireland will see some light rain. The Mediterranean areas will stay settled and southern Spain will be rather warm. Northerly winds will make Greece a little cooler. A frontal zone over Turkey, forming the boundary between hot air over the Middle East and cooler air in Greece, will produce thundery rain.

Five-day forecast

All western Europe will be cooler, resulting in unseasonably low temperatures by the weekend. The northern Mediterranean will become unsettled over the weekend. Eastern Europe will be very warm at first, followed by much cooler air.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	cloudy	29	Caracas	fair	26	Faro	sun	27	Madrid	sun	34	Rangoon	thund	32
	Celsius		Belfast	shower	16	Cardiff	fair	15	Frankfurt	rain	29	Majorca	sun	31	Reykjavik	fair	10
Abu Dhabi	fair	39	Belgrade	sun	29	Casablanca	fair	27	Geneva	shower	26	Malta	sun	27	Rio	cloudy	23
Accra	shower	31	Berlin	shower	27	Chicago	cloudy	20	Gibraltar	sun	29	Manchester	fair	14	Rome	sun	26
Algiers	sun	31	Bermuda	cloudy	26	Cologne	rain	24	Glasgow	shower	15	Manila	cloudy	33	S. Frsco	fair	22
Amsterdam	rain	14	Bogota	drzzl	18	Dakar	fair	26	Hamburg	rain	19	Melbourne	shower	14	Seoul	fair	27
Athens	sun	24	Bombay	sun	29	Dallas	sun	36	Helsinki	fair	19	Mexico City	fair	24	Singapore	cloudy	31
Atlanta	thund	33	Brussels	rain	16	Delhi	sun	42	Hong Kong	rain	30	Miami	thund	31	Stockholm	fair	21
B. Aires	cloudy	10	Budapest	fair	30	Dubai	fair	37	Honolulu	fair	31	Milan	sun	30	Strasbourg	shower	28
B.ham	fair	15	C.hagen	shower	18	Dublin	fair	15	Istanbul	fair	19	Montreal	fair	20	Sydney	shower	17
Bangkok	shower	33	Cairo	sun	34	Dubrovnik	sun	28	Jakarta	fair	31	Moscow	shower	20	Tangier	fair	26
Barcelona	sun	26	Cape Town	shower	15	Edinburgh	shower	16	Jersey	shower	12	Munich	shower	29	Tel Aviv	fair	30
									Karachi	fair	39	Nairobi	fair	24	Tokyo	cloudy	28
									Kuwait	sun	42	Naples	sun	28	Toronto	fair	21
									L. Angeles	sun	23	Nassau	fair	31	Vancouver	sun	20
									Las Palmas	cloudy	27	New York	fair	23	Venice	sun	28
									Lima	fair	20	Nice	shower	23	Vienna	sun	30
									Lisbon	sun	28	Nicosia	sun	29	Warsaw	fair	26
									London	fair	15	Oslo	fair	20	Washington	sun	29
									Lux.bourg	rain	23	Paris	shower	20	Wellington	shower	11
									Lyon	shower	30	Perth	cloudy	16	Winnipeg	fair	23
									Madeira	sun	25	Prague	fair	29	Zurich	shower	27

FINANCIAL TIMES
COMPANIES & MARKETS

Wednesday June 8 1994

IN BRIEF

SMH expects modest growth

SMH, the leading watchmaking group, is looking for only modest profit growth but has renewed confidence in the long-term prospects of its core business. The once fast-growing group, known best for its Swatch plastic watches, suffered stagnation of sales last year. Page 18

Italian roadshow on the move again
After a pause for mould-breaking general elections, the Italian privatisation show hit the road again yesterday. Page 18

Sprint deal part of a trend
If it is consummated, the prospective tie-up between Sprint, the third largest US telecommunications carrier, and the state telecoms operators of France and Germany will be the second of three grand international telecoms alliances expected to be formed by the end of the year. Page 19

Daewoo in Indian joint venture
Daewoo, the South Korean industrial group, is planning a joint venture car assembly plant in India with DCM-Toyota. Page 19

Chase Manhattan gains equity powers
Chase Manhattan has become the latest bank to be given the power to underwrite and trade equities in the US, marking a further erosion of the barriers that have kept commercial banks out of investment banking business. Page 20

Fleece increase
Australia's wool industry has seen a marked turnround in the past six months, with the local market indicator price recovering from 381 cents a kilogram – the lowest level this century – to 625 cents. Page 28

Sustained gains for Nikkei forecast
A wave of buying in the final minutes of the day drove the Nikkei back above the 21,000 mark yesterday. Traders were talking about higher prices, with one analyst suggesting the Nikkei could gain 20 per cent this year. Back Page

Amersham powers ahead 65%
Solid underlying business growth, exchange rate movements and a US acquisition helped Amersham International, the UK health science group, increase pre-tax profit 65 per cent. Page 22

Jim Maxmin to get £1.2m
Jim Maxmin, the former chief executive of Laura Ashley, is to receive a £1.2m ($1.8m) pay-off following his abrupt departure from the UK fashion retailer which he is widely credited with reviving. Page 22

National Grid fuels float hopes
National Grid, operator of the high voltage power transmission system in England and Wales, yesterday fuelled expectations of a flotation. Page 23

Multimedia group to be floated
VideoLogic, the UK multimedia company, is to be demerged from its parent, Avesco, the broadcasting services company, and floated on the London Stock Exchange. Page 23

St James's strongly up
St James's Place Capital, the UK financial services group run by Lord Rothschild and Sir Mark Weinberg, yesterday announced a rise in pre-tax profits from £12.3m to £81.1m. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Lahmeyer	685	+	25
Zanders	230	+	10
Falls			
Bay Hypo Bnk	429.5	–	13
MAN	415	–	7.3
Porsche	775	–	15
Siemens	695.5	–	13

NEW YORK ($)

Rises			
Rhone-Poulenc	36¼	+	3⅛
Falls			
Caterpillar	108⅝	–	1⅜
Intl Paper	69	–	1⅛
Lotus Dev	58⅛	–	½
Microsoft	53⅛	–	⅞
Wellfleet	25¼	–	⅛

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Essilor	723	+	31
Falls			
Air Liquide	787	–	12
Elf Sanofi	862	–	21
Euro RSCG	653	–	12
Gaumont Soc	707	–	13
Immobanque	770	–	25

TOKYO (Yen)

Rises			
Chiba Bnk	940	+	17
Dai Nip Tor	485	+	25
Ikegami	945	+	42
Mazda	621	+	33
Nip Suisan	494	+	24
Okuma	890	+	30

LONDON (Pence)

Rises			
Alld Colloids	280	+	11
Amersham	971	+	33
Anglian Grp	251	+	13
Brit Aerospace	488	+	9
Kingfisher	530	+	11
Norcros	139	+	6
Powerscreen	255	+	6
RTZ	833	+	13
Rugby Grp	147	+	7
St James Pl	155	+	7
Sth Wales Elect	627	+	7
Standard Chart	262	+	10
Smiths Inds	478	+	8
Falls			
Avesco	82	–	12
Gt Portland	196	–	7
Hambros	313	–	9
Intercare	79	–	10
Osborne & Lit	311	–	14

AIG injects $200m into A&A

By Richard Waters in New York

Alexander & Alexander, the US insurance broker, is to get a $200m capital injection from the country's biggest property/casualty insurer, American International Group, as part of a plan to revive its ailing finances.

The deal will leave AIG with preferred stock convertible into 21 per cent of A&A's shares. At the same time, the broker slashed its dividend from 25 cents to just 2.5 cents to help preserve its depleted capital.

The investment comes after A&A moved in January to replace Mr Tinsley Irvin as chairman and chief executive in the wake of disappointing results. The company has been weighed down by legal settlements, depressed conditions in the property/casualty insurance market and a failure to reduce its costs.

A&A said that in recent months it had studied various alternatives to rebuild its finances, although it refused to say whether these had included the possibility of an outright sale.

Both companies denied yesterday that the deal would undermine A&A's independence as a broker. Under an eight-year standstill agreement, AIG would not be able to take a voting stake of more than 9.9 per cent in the company. Also, the interest is in line with investments made by other insurers in the past. The broker said that Prudential, the US insurance giant, currently owned more than 9 per cent of A&A, and Farmers – the US insurance subsidiary of BAT of the UK – had once owned a similar stake.

A&A, which in the 1980s bought the Canadian firm Reed Stenhouse, as well as Sphere Drake and Alexander Howden in the UK, is the second biggest broker in the world after Marsh & McLennan. It suffered fraud-related losses at Alexander Howden, and in 1992 announced a $145m after-tax charge to cover asbestos and environmental liabilities taken on with Sphere Drake. It said part of the $200m from AIG would be used to buy reinsurance to cover the Sphere Drake losses, although its assessment of the scale of these losses had not changed since 1992.

AIG will receive an 8 per cent dividend on its convertible preference stock, payable in additional securities. The stock is convertible into common shares at $17 a share – a rate fixed during discussions between the two companies on May 13, when the share price slumped towards $14. Since then, the shares have climbed steadily, gaining another $⅝ yesterday to trade at $16⅞ at lunchtime in New York.

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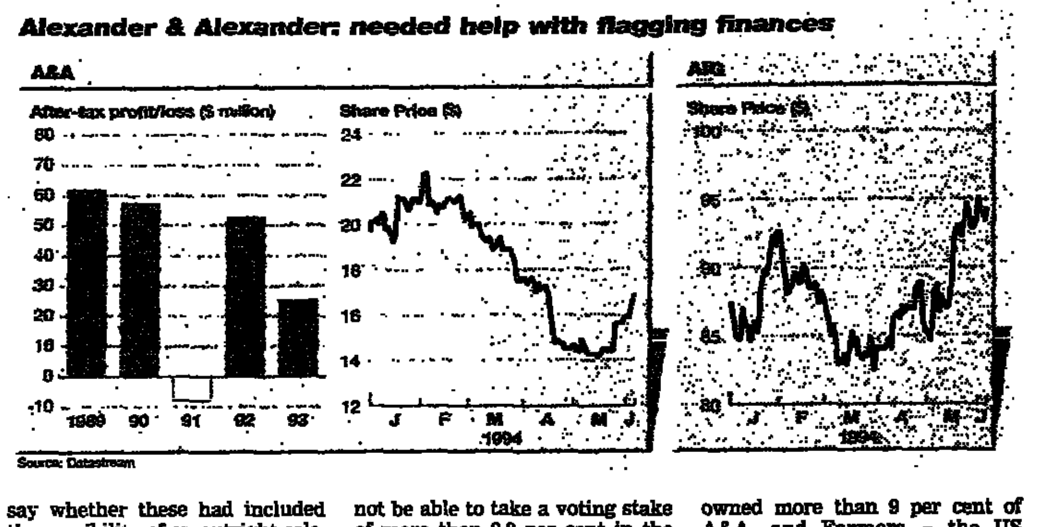
Alexander & Alexander: needed help with flagging finances



Source: Datastream

Wellcome opts for single auditor to cut costs

By Andrew Jack and Daniel Green in London

The board of Wellcome, the UK pharmaceuticals group, has *approved a plan to remove* accountants Touche Ross and appoint Coopers & Lybrand as *sole global auditor and lead tax* consultant from next year.

Details of the plan emerged after the company announced on Friday the surprise departure of Mr John Precious as finance director. This was the latest in a series of management changes, presided over by Mr John Robb, chairman and chief executive.

However, Mr Justin Court, group financial controller, stressed yesterday: "I really want to be utterly categorical that there is no connection with the departure of Mr Precious."

He said the controller's department had begun considering a change to a single firm a year ago in an effort to save costs. "Our level of indulgence has gone down somewhat. We are quite keen to get a bit more briskness."

He said Coopers won the audit following a "beauty parade" which included the three other firms that audit Wellcome subsidiaries around the world: Touche Ross, Price Waterhouse and KPMG Peat Marwick.

Mr Court expected the company's total audit fee – which was £800,000 last year – to fall by 30-40 per cent. But he said that *Coopers, the UK's largest firm,* had won the contract primarily because of its strength in the pharmaceuticals sector.

Some Wellcome executives are believed to have expressed anxieties about Touche following last year's reprimand of Trafalgar House, one of its audit clients, by the Financial Reporting Review Panel, the UK accounts watchdog. But Mr Court said this was *not a factor in the selection.*

Wellcome's decision is the latest in a trend among international companies to appoint a single global firm of accountants as auditors.

Touche Ross has recently gained the worldwide audits of Reed-Elsevier and Crédit Lyonnais. Coopers is global auditor to companies including Glaxo.

Tony Andrews

John Robb: has presided over management changes

Vodafone dares rivals to cut mobile phone tariffs

By Andrew Adonis in London

Vodafone, the UK mobile communications group, said it *expected to make no cuts in* mobile phone tariffs this year and dared its rivals to cut theirs.

At yesterday's results meeting Mr Gerry Whent, chief executive, said: "They dare not cut another single penny, otherwise they will never see a profit."

Cellnet, Vodafone's main rival in the mobile cellular market, immediately responded that it was "happy to see that Vodafone shares our view that no price cuts are needed".

The announcements took some analysts by surprise, given that some mobile phone tariffs have fallen by more than a third in the past year, which has seen the launch of Mercury One-2-One and Hutchison Microtel's Orange. However, one analyst said the statements were a "clear bid" to *reassure the new operators that* they need not resort to tariff cutting to build UK market share.

Vodafone announced a 13 per cent rise in pre-tax profits to £363.3m ($547m) for the year to March 31. Turnover increased 28 per cent to £850.5m, or 19 per cent leaving aside acquisitions.

Mr Chris Gent, managing director of Vodafone's UK activities, predicted that the UK cellular market would grow by about 50 per cent this year, with Vodafone broadly maintaining its 59 per cent share of the value of new business, although its share of overall subscribers might fall. *Last year it saw 40 per cent* growth to 1.17m in subscribers to its UK network.

Vodafone claimed to have 57 per cent of the lucrative UK cellular business market, despite falling to 54 per cent of subscribers as a whole – with most of the loss having gone to Cellnet.

Mr Whent said the company faced two challenges: transferring new UK customers from its analogue to its new digital networks; and building up its international holdings to equal its UK cellular business in terms of the value of overseas markets covered.

Start-up costs trebled to £45m last year and are projected to *reach £80m this year. The group* had year-end net cash of £111.1m, down from £152.2m.

Earnings per share rose *10* per cent to 24.34p (22.07p). A final dividend of 4.23p makes a total of 8.35p, up 20 per cent.

Vodafone is proposing a two-for-one scrip issue. Its shares slipped 4p to 518p yesterday.

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Metra and Securitas to merge lock sides

By Christopher Brown-Humes in Stockholm

A plan to create one of Europe's leading companies in locking and access control systems was yesterday unveiled by Metra, the Finnish industrial group, and Securitas of Sweden.

Metra's Abloy Security division will merge with the Securitas Lock Group to form Assa-Abloy AB, a company with SKr3.5bn ($443m) in annual sales and 4,600 employees. The aim is *to list the company on the Stock*holm and Helsinki stock exchanges next spring.

Metra said the merger would create a strong company, capable of expanding and competing in *Europe. It will be* Europe's biggest manufacturer of cylinder locks. A final agreement is due to be signed in September.

The arrangement enables Metra to focus on diesel engines and bathroom ceramics, while allowing Securitas to concentrate on guard services and alarm systems.

The Finnish company will initially hold 55 per cent of Assa-Abloy and will receive a cash payment out of the new company to compensate for the size difference between Abloy Security and Securitas Lock. Abloy had 1993 sales of SKr2.5bn and a SKr46m profit, compared with profits of SKr78m on sales of SKr1bn at Securitas Lock.

When the merged company is listed, Metra's holding is *expected to fall to 40 per cent,* but it will remain the largest single owner. This is because Securitas intends to distribute its 45 per cent stake to shareholders in what is effectively a demerger.

Securitas said its net debt would fall to nil from SKr400m giving it a strong financial base from which to expand. It holds more than 5 per cent of the European security market.

Assa-Abloy will be based in Stockholm and Mr Carl-Henric Svanberg, first executive vice-president of Securitas, will be president and chief executive.

The Nordic region will account for nearly half of total sales, but the US will be the largest single *market with 1993 pro-forma* sales of SKr860m. The UK and Germany are also large markets.

Securitas's lock operation, Assa, has a substantial UK market share and a strong position in the US and German high security market. Abloy's operations include Cardkey in the US, Ikon in Germany and TrioVing in Norway.

Barry Riley

Tricky timing in the alternative markets

Commodity *market fever has* cooled off slightly in the past few *days, but portfolio* strategists are still tempted to dabble in *real assets. As* for equities, commodity-related sectors such as *oils and mineral extraction are* among the few showing gains (albeit modest) in the London stock market since the beginning of this year. Gold mining stocks, though, have been having an *indifferent* time.

With commodities, of course, you have to pick your moment. In *general they have been rotten* investments over the long run, with a steady fall in real values stretching over the whole century, and particularly in the 1980s – although there have been *spectacular upsurges from the* trend, such as during the Korean War and the inflationary scares of *the 1970s. There are one or two* exceptions, such as timber, which has been sustaining a fairly rapid *real rate of increase – of close to* 5 per cent a year in some cases, according to a recent World Bank study.

Nevertheless the general trend is downwards, probably reflecting consistent declines in costs of production and transport, both for agricultural and mineral commodities. The point, however, is that in cyclical terms the time for commodities to shine ought to be just about now.

Last March Mr Sushil Wadwhani of Goldman Sachs noted that the year after the US Federal Reserve begins to raise short-term interest rates tends to be a strong period for commodity prices. Since the 1970s such 12-month periods have produced *average price rises of about 15* per cent, depending on the index used, while equities and (*especially) bonds have struggled.*

It might seem odd that commodity prices should rise when the carrying cost has just been increased, but of course there are much more powerful influences involved. *Inflationary fears that* may have stimulated the interest rate rise are negative for bonds but positive for commodity prices. Stronger economic growth is likely to be affecting the supply-demand balance. Moreover the transfer of speculative activity from the securities markets to *commodities in search of richer* pickings will itself tend to push up prices for a while.

In cyclical terms the time for commodities to shine ought to be just about now

At any rate, the pattern appears to be repeating itself. Many commodity prices have been *quite firm this year. The* indices vary considerably, but the Economist index is up 17 per cent while Goldman's own index is up a more modest 7 per cent. Curiously the CRB Futures Index, which so terrifies the US Treasury bond market when it strengthens, is scarcely changed on balance, after retreating from a late May peak.

Such rises are entirely in accordance with the historical cyclical patterns, and do not imply any general rise in the rate of infla*tion globally. It is notable,* for instance, that gold has played little part in the recent revival of *the commodities markets. Gold* had its own speculative run a year ago, when it reached $405 an ounce before the Soros/Goldsmith bubble burst. This year it has been trading quietly about $15 either side of the current $380.

Some strange things may nevertheless have been going on in the gold market, where a tumble in the gold lease rate signifies structural changes – perhaps heavy central bank selling absorbed by speculative buyers.

However, the real targets for commodity speculators have been the metals and soft commodities which have been selling at below average production costs and are best placed to benefit from cyclical recovery.

Some of the rises in 1994 so far have been quite sharp – including 23 per cent on North Sea crude oil, 26 per cent on copper and 70 per cent on coffee. But the markets have been dangerously flooded with speculative money, much of it diverted from bonds after the spectacular end of last *year's* bull market.

Commodity markets can therefore be seen as reflecting the flip*side of bond market sentiment: if* it becomes generally accepted by the markets that the US economy is slowing down and inflation will stay reasonably low the money could flow straight back.

So although the cyclical case for commodities remains valid, certainly if economic recovery kicks in later this year in continental Europe and Japan, the ride is not likely to be at all smooth. There is no easy alternative to the securities markets.

SMH looks for modest improvement this year

By Ian Rodger in Bern

SMH, the leading watchmaking group, is looking for only modest profit growth again this year, but has renewed confidence in the long-term prospects of its core business.

Questions have been raised in recent months about the once fast-growing group, known best for its Swatch plastic watches, following the stagnation of sales last year and mixed reports about its diversification attempts into telephones and a Swatch car. Its bearer shares have lost a third of their value since last July.

Mr Nicolas Hayek, chairman, said the modest 7 per cent growth in net income to SFr441m ($315m) last year after two years of double digit rises was due mainly to a decision not to raise Swatch prices in countries whose currencies fell against the Swiss franc.

The continuing strength of the franc was a problem as the group did not want Swatch to lose its low price identity, he said.

He dismissed suggestions that demand for Swatches was reaching saturation point. US sales had been disappointing last year, but were improving following management changes.

In Germany, first-quarter unit sales were up 8.5 per cent in a flat market.

Mr Hayek insisted that wrist watches would remain the group's core business, and Swatch, with a third generation of models on the way, would play a vital role in the volume sector.

Together with the related ETA components subsidiary, Swatch accounted for about a third of group profits, he said.

The group saw higher margin opportunities in its up-market brands, including Blancpain, Omega, Longines, Rado and Tissot, which account for 42 per cent of profits.

The slow developing diversification into telephones was taking a new direction into cordless sets. Mr Hayek said the group might acquire the telephone set division of a major leading telecoms manufacturer.

The recently announced joint venture with Daimler-Benz to develop an environmentally friendly Swatch city car would not require any more than 30 per cent of SMH's cash flow in the the next three or four years.

The car would reach break-even point three years after sales began, at the latest, at the end of 1997.

Huhtamaki hit by lower growth in first term

By Christopher Brown-Humes in Stockholm

Shares in Huhtamaki, the Finnish confectionery, food packaging and pharmaceuticals group, fell 10 per cent yesterday after it produced lower-than-expected profits in the first four months.

Taxable profits increased by 4 per cent to FM112m ($20.4m), sharply lower than the FM150m profit anticipated by the market.

The shares fell to FM189 from FM210.

"People have got used to a big increase in Huhtamaki's profits and this slowdown was not expected," an analyst said.

The performance reflected a slight improvement in operating profit, which rose to FM163m from FM161m, and a small reduction in financial costs to FM51m from FM53m.

Sales were up 13 per cent at FM2.7bn. Much of the growth derived from acquisitions which lifted the European sales of the Leaf confectionery business and Polarcup packaging.

This helped to compensate for a downturn in Leaf's North American operations and a stronger markka.

Mr Timo Peltola, chief executive, said the group had a sluggish winter but market prospects for the rest of the year were slowly improving. Leaf, the world's 10th largest confectionery group, is expected to win market share in North America while Polarcup's business is forecast to pick up during the summer.

Ina takes the privatisation trail

The sale of 51 per cent of the insurance group will be Italy's largest disposal, writes Andrew Hill in Milan

After a pause for mould-breaking general elections, the Italian privatisation show hit the road again yesterday.

Less than three weeks after a parliamentary vote of confidence in Italy's new right-wing government, the Italian Treasury published the prospectus for the sale of up to 51 per cent of the Ina insurance group, which claims a bigger market share than any of its private-sector rivals in Italian life and non-life business.

The price for Ina shares will not be set until June 25, two days before the retail offer is launched, but the Treasury has confirmed that it will be between L2,200 and L2,700 a share, valuing the whole company at L8,800bn-L10,800bn ($5.4bn-$6.7bn). That will make Ina the biggest privatisation attempted by the Italian state, although it is almost certain to be dwarfed within a year by the sale of state-owned holdings in Stet, the telecommunications group, Enel, the electricity utility and Eni, the energy and chemicals group.

One challenge for Ina and its advisers is maintaining the momentum of investor interest. This was seen in the previous sales of the financial groups, Imi, Credito Italiano and Banca Commerciale Italiana (BCI). Domestically and internationally, both Stet – already a quoted company – and Eni are better known. They are politically sensitive, which means they attract more media interest than Ina has in its 82-year history.

That said, the Ina sale is not short on technical and political innovation. The last two public offers – of BCI and Credito Italiano – were criticised, after allies of Mediobanca, the Milan merchant bank, installed their nominees on the board.

New restrictions in the Ina sale will prevent such manoeuvring by treating investors linked through other companies' shareholder syndicates as though they are acting in concert. Together, such investors will not be able to buy more than 5 per cent of Ina. In addition, small shareholders' nominees will have seats reserved for them on the board, offsetting the dominance of large institutions, a trend likely to be continued.

Mr Lorenzo Pallesi, Ina's chairman since 1990, and a former head of Prudential's Italian operations, believes a similar Mediobanca-inspired raid on the Ina board is unlikely.

In any case, he will have enough on his plate bringing the group up to the same levels of efficiency as its competitors, without having to worry about boardroom infighting. Ina has been totally owned and managed by the state since 1912, and benefited from compulsory contributions from other insurance companies, until last year.

"Some other insurance companies are probably operationally more profitable than us," admits Mr Pallesi, disarmingly. "But our potential is much greater than theirs."

In particular, the group is hoping to take advantage of the opportunities in Italy's underdeveloped life insurance sector.

Life insurance represents a comparatively low share of the overall Italian market, because of generous state pension provisions. In 1992, for example, life insurance accounted for 27 per cent of the Italian market, compared with 66 per cent of the UK market. But increasing pressure on the Italian pensions budget means life insurance and other linked savings products are likely to be taken up as alternatives.

Ina still leads the sector – with an 18 per cent share at end-1992 – but has watched its hold over the market decline over the last few years.

However, Ina believes it should be able to arrest the decline by revamping its extensive distribution network of more than 7,000 sub-agents and sales people throughout Italy and by tapping the fast-growing *bancassurance* sector through an agreement with Banca di Roma, one of Italy's biggest banks, to sell Ina's products through the bank's extensive network.

Over the last year, Ina has tried to counter disaffection amid the ranks of its agents – most of whom are not employed directly by the company, but concentrate exclusively on the sale of Ina products – by promoting younger more dynamic sales people, changing about 25 per cent of the network.

At the same time, the company is to promote the links between its life business and the sale of non-life products through its subsidiary, Assitalia. According to the company, this should offset the handicap imposed by new European Union regulations which prevent Ina and Assitalia from taking the logical step of uniting into a composite insurer, along British lines, just at the moment when EU liberalisation is increasing competition.

The board's second task, after restructuring the distribution network, will be to attend to Ina's extensive property assets.

The group starts with the advantage that its owners at the Treasury have allowed it to revalue the assets, which range from ordinary apartments to the historic Palazzo Strozzi in Florence, more than doubling their book value. If Ina sells some of its real estate – valued at just over L7,000bn – it will only have to pay tax on the increase since the year-end revaluation.

Some analysts see the low yield on this property as evidence that the assets have been overvalued, but at least this strong capitalisation should mean that Mr Pallesi will be able to honour his pledge that no capital increases will be attempted "for the foreseeable future".

Nestlé may buy Volvo food unit

By Christopher Brown-Humes

Nestlé, the Swiss food group yesterday confirmed its interest in buying Branded Consumer Products, the food, drink and tobacco company which Volvo wants to sell as part of a programme to focus on its vehicle businesses.

"We are interested in buying BCP. In fact we have started negotiations with a view to a possible acquisition," Mr Helmut Maucher, Nestlé chairman said in an interview with La Gaceta de los Negocios the Spanish business daily.

Volvo said Nestlé was one of several groups which had shown an interest in BCP, but it declined to identify the others.

BCP, which includes Swedish Match and some of Sweden's best-known food and drinks brands, is the biggest single unit on Volvo's sale list and is expected to raise more than SKr20bn ($2.5bn).

The consumer products group achieved first-quarter profits after financial items of SKr296m on sales of SKr4.85bn.

Volvo holds 74 per cent of BCP and has launched a bid for the outstanding shares. Its offer expires on Friday.

The vehicle group wants to gain 100 per cent control of BCP before it enters detailed disposal talks.

BCP was formed in late 1993 after the break-up of Procordia, a drugs-to-food group jointly controlled by the Swedish state and Volvo.

Two Italian banks seek capital injections

By Andrew Hill

Two of Italy's biggest banks have outlined plans for increases in capital.

Credito Italiano, recently privatised, is to ask shareholders for authorisation to increase its capital by a nominal value of L2bn ($1.2m) over the next five years, through the issue of shares or a mixture of shares and bonds.

Meanwhile, Cariplo, the Milan-based savings bank, has finalised plans for a two-stage increase in capital which should raise more than L2,500bn for the bank and allow the company to float a 22 per cent stake on the Milan stock market. The first stage of the offer is likely to start on July 11.

Credito Italiano ended speculation about an imminent rights issue with a statement yesterday convening an extraordinary meeting of shareholders at the end of June to vote on a new authority.

Banca Commerciale Italiana, Italy's other recently privatised bank, announced plans for a fully-fledged issue of shares and warrants last week, to raise up to L2,362bn.

Banking sources said that Credito Italiano did not need to raise capital to finance its own development over the next few years.

However, the group wants to be in a position to move quickly if there are opportunities for acquisitions.

Cariplo announced in April that it was planning to float new shares in Milan.

On Monday, the bank confirmed that a first tranche of 600m shares would be issued at between L2,350 and L2,750, raising between L1,410bn and L1,650bn.

Institutional shareholders will be limited to a 3 per cent stake in the company. The group has agreed to protect small shareholders' interests by reserving certain seats on the board for their nominees, an idea borrowed from the government's new rules for privatisation of the Ina insurance group.

A second tranche, in the form of bonds and warrants, will be sold before June 30, 1995, and should raise more than L1,000bn.

UK water group cuts 900 jobs

By Peggy Hollinger in London

Anglian Water yesterday announced 900 job cuts in the latest indication of the upheaval facing the water sector as it faces a tougher pricing regime from next year.

The UK utility, based in the Huntingdon constituency of prime minister Mr John Major, is cutting 17 per cent of the 5,200 jobs in its core water and sewage business. Anglian is believed to be one of the top five employers in the region.

Mr Chris Mellor, Anglian's finance director, said most of the job cuts would come from administration, with little scope left for cutting the blue collar side after cuts in the mid-1980s. At least two or more layers of management would be stripped out, he said.

Anglian is taking a £60m ($91m) provision this year to pay for the redundancies and reorganisation. Mr Mellor said Anglian expected to make cost savings of more than £20m a year after 1996-97, with some savings beginning this year. About 500-600 of the proposed job cuts would take effect from October, with the balance over the next two years.

The announcement comes as water companies examine the draft price increases set by Ofwat, the industry regulator, in May. Mr Ian Byatt, director general of Ofwat, is thought to feel the water companies have not cut costs quickly enough since privatisation in 1989. He is expected to set tough efficiency targets as part of the current price review, which will be made public on July 28.

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Amer advances 76% to FM81m

Amer, the Finnish consumer group, saw pre-tax profits rise by 76 per cent to FM81m ($14.7m) in the first four months, in spite of a worse performance from its Wilson sports unit and lower sales, writes Christopher Brown-Humes.

Sales fell 5 per cent to FM2.57bn, reflecting a stronger markka, divestments and a 6 per cent drop in Wilson's sales.

Daewoo in joint venture with DCM-Toyota

By John Burton in Seoul and Kevin Done in London

Daewoo, the South Korean industrial group, is planning a joint venture car assembly plant in India as part of a production expansion in its motor division in the developing world.

The venture with India's DCM-Toyota, received Indian government approval last week, and will begin car production next year.

The new company, which will be renamed DCM-Daewoo, will be capitalised at $200m with Daewoo holding a controlling 51 per cent stake.

Daewoo will renovate the car production lines at DCM-Toyota's plant in Noida City, which will assemble kits of Daewoo's LeMans Racer. Initial production will be 25,000 vehicles, but will increase to 50,000.

Daewoo is focusing on the developing world to achieve rapid growth for its car division, although it is also planning to market cars in western Europe in 1995 and the US a year later.

It is planning joint venture car assembly plants in the Philippines, Vietnam, Uzbekistan and Romania, all of which are expected to go into operation in 1995 or 1996.

The strategy is part of Daewoo's plans to quadruple car output to 2.2m vehicles by 2000, with almost half the production to be located abroad.

Several of the world's leading carmakers are currently seeking a foothold in the Indian auto industry.

General Motors of the US, the world's biggest vehicle maker, is to start car production in India in a joint venture with Hindustan Motors making an investment of around $100m.

The GM venture will assemble the Opel Astra, GM's best-selling car in Europe, and will have a capacity to produce about 20,000 cars a year on two shifts starting in the third quarter of 1995.

Production will be located at an existing Hindustan Motors facility at Halol, near Vadodara in the state of Gujarat.

Mercedes-Benz of Germany meanwhile is to take 51 per cent in a joint venture with Tata Engineering and Locomotive (Telco). They plan to build up to 20,000 Mercedes-Benz E-Class executive cars a year – together with 50,000 petrol and diesel engines – at a plant near Poona with a total investment of DM250m ($149.7m).

Sprint warms up for race to link world telecoms

The US group's Franco-German tie-up reflects a global trend, writes Andrew Adonis and Martin Dickson

If it is consummated, the prospective tie-up between Sprint, the third-largest US long-distance telecommunications carrier, and the state telecoms operators of France and Germany will be the second of three grand international telecoms alliances due to be formed by the end of the year.

It will also set the seal on the contract between France Telecom and Deutsche Telekom, headed by Helmut Ricke, signed last December, when the two European state-owned companies announced an Ecu1bn ($666m) alliance to develop much of their international networks business jointly.

The first alliance was announced last June, when British Telecommunications undertook to buy 20 per cent of MCI, the second-largest US long-distance carrier, and form a joint venture with it geared to the international business market. BT laid out $5.3bn – $1bn for the joint venture and the rest for the stake.

"That put the pressure on the rest of us with global pretensions to move fast," says a senior Deutsche Telekom executive. That meant, in particular, the French and German operators, the US giant AT&T, Sprint, and Unisource – a joint venture between the Swedish, Dutch and Swiss state operators with Telefónica of Spain in loose association.

France Telecom and Deutsche Telekom were already linked in a joint venture called Eunetcom, geared like Unisource to the market for "outsourcing" the telecoms needs of multinational companies. Their decision to deepen the alliance surprised no-one. However, intensive talks between the two and AT&T caused widespread consternation, given that it would involve a union of three of the world's four largest telecoms operators, each of them from the monopoly stable.

Disputes over the structure of an alliance, and fears about regulatory approval – the Franco-German link has still to be approved by the European Commission – appear to have scuppered the talks.

AT&T has since been in negotiations with Unisource: this has already led to co-operation between the two to win Europe's largest telecoms outsourcing contract. And analysts believe it could proceed further.

That tie-up left Sprint and the Franco-German partnership searching for allies. However, it has taken more than the elimination of prospective partners to bring them together – a strong business rationale underlines the union, however difficult it may prove to be in practice.

Helmut Ricke: attracted to Sprint's reputation for innovation

The goal for all the companies engaged in the current matchmaking is simple: as international telecoms are liberalised, to carve out a leading share in the market they expect to develop for outsourcing the telecoms needs of multinational companies.

There is room for scepticism about the value, even the existence, of the market they are aiming at. According to Dataquest, the international consultancy, the European market for corporate outsourcing is expected to rise from $800m in 1993 to $1.7bn in 1996 – out of total European spending of $186bn on telecoms services two years from now.

"It's only a tiny fraction of the total market they are going for," says Ms Kathy Burrows at Dataquest.

However, the large telecoms operators have convinced themselves that the market will grow fast thereafter, and that a commanding position in it could open up strategic opportunities.

To take advantage of them, each believes it needs to be in an alliance with four factors: money; a presence in the US, Europe and Asia-Pacific; a benign regulatory climate; and access to state-of-the-art network services.

The attraction of Sprint to France Telecom and Deutsche Telekom is its reputation for technological innovation, its international data network and its US operations. Its network extends to all three important sectors of the US market: long distance and international, local telephone and cellular wireless services. Given its small share of the US long-distance market (10 per cent against AT&T's 65 per cent), it is also unlikely to alarm regulators on either side of the Atlantic.

Sprint already has a sizeable international presence of its own, with sales offices and joint ventures in 34 countries and territories, and a stake in global fibre optic links. It is best-known internationally for SprintNet, one of the world's leading data networks, linking computers in nearly 100 cities and 32 countries.

SprintNet is used for sophisticated corporate data information flows, such as bank transfer of funds or order processing and inventory tracking by multinational manufacturing companies. The group's SprintMail service also claims a substantial share of the international E-mail market.

Sprint needs capital to expand. And to be a respectable operator in the international outsourcing market, it needs a weighty European partner.

An alliance with the French and German operators offers the prospect of both.

But even if an alliance is announced, there are plenty of potential obstacles. Not the least of them is the severe difficulties being experienced by France Telecom and Deutsche Telekom in their efforts to restructure in order to face up to competition within Europe.

The privatisation of the German operator appears to have run into trouble: and so afraid is the French government of the backlash from France Telecom's employees, it will not even start the process.

Western Mining finds new gold deposit

By Nikki Tait in Sydney

Western Mining Corporation, one of Australia's largest mining groups, announced yesterday that it had discovered a new gold deposit in the vicinity of its existing Kambalda/St Ives nickel-gold operation in Western Australia.

The deposit, named Redoubtable, lies beneath shallow lake sediments on Lake Lefroy at Kambalda. WMC said that the deposit was "of modest size". Evaluation drilling is still under way, and an estimation of the ore reserve is not yet available.

However, the Melbourne-based company added that the potential existed for an open-pit resource of around 1m tonnes, at a grade of four grams per tonne.

● Mr John Ralph, chief executive of CRA, the Australian mining group in which RTZ of the UK holds a 49 per cent stake, is to retire on June 24 – four months earlier than previously announced.

CRA has already outlined the succession plans, which see Mr Leon Davis, CRA's mining director, take over as chief executive. Mr Ralph will initially become a non-executive director and deputy chairman.

Mr Ralph's decision to quit in June "follows review and discussion to ensure that there will be no negative effect on the company".

Brierley sells building arm to HK group

Brierley Investments, the New Zealand hotels and investments group, is selling Downer, its construction arm, to Paul Y-ITC Construction of Hong Kong, AP-DJ reports from Hong Kong.

The deal will make Brierley a 17 per cent shareholder in Paul Y, which will issue 98m shares at HK$2.50 each to pay for Downer. It will also place a further 52m of its shares, at the same price, with Brierley.

Paul Y is a Hong-based construction concern. The merged group will have activities in Hong Kong, China, south-east Asia and Papua New Guinea.

It will have the financial strength to participate in large infrastructure projects in Asia, Australia and New Zealand, Mr Andrew Meehan, Brierley executive director said.

Apple in panel display move

By Louise Kehoe in San Francisco

Apple Computer is to collaborate with a small US manufacturer of flat panel displays, OIS Optical Imaging Systems, to develop displays for Apple's next generation of notebook computers.

OIS will be the first US manufacturer to supply active matrix liquid crystal displays to the computer industry. Sharp, of Japan is the dominant world supplier of these displays which are used in avionics and a variety of electronic instruments.

OIS, an affiliate of Guardian Industries, plans to build the first US high volume manufacturing facility for active matrix flat panel displays at a cost of around $400m.

The agreement with Apple follows a recent announcement by the US administration of an initiative to boost US flat panel display manufacturing. The $600m initiative, which includes incentives for companies that are establishing display manufacturing operations in the US has yet to be funded.

OIS plans to seek government support for research and development through the Commerce Department's Technology Redevelopment Programme (TRP). "We believe that we are well positioned to submit a proposal," said OIS.

Apple, which currently purchases flat panel displays from Japan, said that it may support OIS in its application for TRP. "We would like to see a US supply base," for flat panel displays, Apple said.

However, the agreement with Apple and plans for expanded manufacturing were not prompted by the government move said Mr Ralph Gerson, chairman of OIS. "Government incentives might expedite our plans, but we envisage private funding for our expansion," he said.

In the first phase of its agreement with Apple, OIS will develop a new, high-performance active matrix display to Apple's specifications and deliver prototype displays.

Bertelsmann shelves TCI joint venture

Bertelsmann Music, part of the German Bertelsmann media group, has shelved plans to launch a music video and home-shopping cable-TV channel with Tele-Communications Inc (TCI), the biggest cable system operator in the US, AP-DJ reports from New York.

The companies had planned to launch the service later this year to compete with with Viacom's MTV channel.

Several large music industry companies, including the music divisions of Sony, Time Warner, Thorn EMI and Polygram, later announced plans to launch a music channel.

Canadian pulp grouping buys French mill

A Canadian joint venture between Cascades, the Canadian paper group, and Tembec is buying a fluff pulp mill in south-western France from Cellulose du Pin Tartes, writes Robert Gibbens in Montreal. The mill has capacity for 140,000 tonnes a year.

Cascades will use 40,000 tonnes yearly for its own European boxboard plants and supply management services. Tembec, a big eastern Canada special pulp and carton board producer, will supply technical and marketing services.

The mill is in the Landes region.

Rhône-Poulenc may sell US unit

By Richard Waters in New York

Shares in Rhone-Poulenc Rorer, the US drugs company, jumped 11 per cent early yesterday on a statement from majority owner Rhône-Poulenc of France that it is considering alternatives that include a sale of the business.

The news came after last month's purchase of Syntex, another US drugs group, by Roche of Switzerland. The deal sparked speculation about other drugs company deals.

RPR said in a filing with the US's Securities and Exchange Commission, that its French parent was considering "several alternative transactions involving RPR ... including transactions relating to business combinations, mergers or transfers or assets of securities involving RPR".

The statement was made in connection with a standstill agreement signed by Rhône Poulenc when it acquired the majority interest in Rorer in 1990. Under that, the French company agreed not to raise its stake until after July 31 1997.

The French group owns 68.34 per cent of RPR and can only change the terms with the support of a majority of RPR's non-executive directors.

The news pushed RPR shares up $4¾ to $39¾ early yesterday in New York, before they eased back to $38¾.

RPR's sales have been static as a result of pressure from buyers to reduce drugs costs, particularly in the US. The company's income was also depressed in dollar terms as 72 per cent of its sales are made abroad.

RPR's sales in its first quarter were down 5 per cent from a year before, at $870m (although they remained flat in local currency).

Tribune publisher buys farm magazine

By Laurie Morse in Chicago

The Tribune Company, the Chicago-based newspaper publisher and entertainment concern, has purchased North America's largest farm publication, The Farm Journal. Terms were not disclosed.

The acquisition is expected to enhance the Tribune's farm radio broadcast network and provide programming for its on-line computer information services.

The Farm Journal is privately held. It comes out 13 times a year, and has 175 full-time workers, including 45 reporters and editors. Circulation is around 700,000, taking in publications such as Top Producer, Beef Today and Hogs Today.

The company also maintains a detailed database of demographic information on farm operations, and owns a market research firm specialising in agricultural topics.

The Tribune, which publishes Chicago's leading newspaper, has a reputation as an urban news organisation. However, its vast radio network reaches deep into midwest farm communities.

"Farm Journal and Tribune share a commitment to serving the agricultural community, and a vision for developing new products and services for farmers and advertisers," said Mr James Dowdle, president of Tribune Broadcasting company.

"Our combined resources offer a strong base to explore new opportunities in electronic publishing, television programming, database and other advertiser services, additional print titles and, of course, radio," Mr Dowdle said.

Strong April at Bangkok Bank

By William Barnes in Bangkok

Bangkok Bank, Thailand's largest commercial bank, has taken the unusual step of issuing a four-month financial report soon after reporting an unusual decline in first-quarter earnings. The latest report shows a 12 per cent advance in net profits against a year ago.

Bangkok was the only one of Thailand's leading banks to report a decline in first-quarter net profits, down 5 per cent at Bt3.45bn ($136.7m).

"We think they wanted to set the record straight, having lost face with their first-quarter results. They seem to have had a colossal April," said HG Asia's country manager, Mr George Morgan.

The quarterly profits fall was blamed partly on the fact that Bt1.5bn of unsecured interest receivables were injected into the first-quarter 1993 result.

The bank's executive vice-chairman, Mr Damrong Krishnamara, said net profits for the first four months of this year were Bt5.5bn, compared with Bt4.87bn a year ago.

This shows the bank made profits of Bt1.92bn in April alone, representing 65 per cent year-on-year growth for that month. It suggests the bulk of Bt806m in unaccrued interest receivable from a motorway contract was taken in April.

Mr Damrong said the bank's total deposits were 10.2 per cent higher than a year ago, at Bt568.3bn, at the end of April.

Early this year, the bank's president, Mr Vichit Suraphongchai – number four in the bank's decision-making hierarchy – left suddenly.

Eridania adds to Spanish oils operations

By Andrew Hill in Milan

Eridania Béghin-Say, the French agro-industrial subsidiary of Italy's Montedison, has taken control of Elosua, the Spanish edible oils company, only a day after getting European Commission permission for the deal.

The purchase, for an undisclosed price, gives Eridania some 40 per cent of the Spanish edible oils market. It intends to merge Elosua with Koipe, its own Spanish subsidiary.

The deal also brings to an end a long-running political controversy over control of the Spanish olive oil sector, and creates one of the world's largest edible oils group, with a combined turnover of just under Pta100bn ($729.4m).

Axel Springer media advertising falls 4%

By Judy Dempsey in Berlin

Axel Springer, the German media group which publishes Die Welt, and the mass circulation Bild daily, and as has growing interests in electronic media, yesterday reported a rise in profits for 1993.

Group profits rose from DM57.2m to DM71.4m ($42.2m), last year. However, turnover dipped by 1 per cent to DM3.44bn. This was partly due to advertising revenue which fell by 4 per cent to DM1.52bn.

In addition, sales in eastern Germany weakened. Overall, total newspaper turnover rose by 2.8 per cent to DM1.06bn.

The company invested DM239.9m, compared with DM409.8m the previous year, when it was acquiring new titles. Last year it also introduced a restructuring programme aimed at cutting costs.

● Gustav & Grete Schickedanz Holding is selling its 97 per cent interest in brewer Patrizier Bräu and raising stakes in three Quelle-group insurance companies, Reuter reports from Nuremberg.

Schickedanz will raise its share of Quelle Lebensversicherung and Quelle Sachversicherung to 70 per cent from 50 per cent, and its interest in Quelle Krankenversicherung to 100 per cent from 74 per cent. Schickedanz did not disclose the terms of the transaction.

It was recently announced that Schickedanz was negotiating to sell its VP-Schickedanz tissue-paper unit to Procter & Gamble, the big US detergents group. This deal is reportedly facing opposition from the European Commission.

Minproc halts funding plan

By Nikki Tait in Sydney

Minproc, the Western Australian mining and engineering company, has suspended plans to raise A$352m (US$258m) after Kerr-McGee, the US group, said it wanted a bigger interest in their Tiwest joint venture.

Minproc added that it planned to resume the fund-raising effort, once the Tiwest matter was settled.

INTERNATIONAL CAPITAL MARKETS

Retreat by bunds drags European prices lower

By Tracy Corrigan and Graham Bowley in London and Frank McGurty in New York

German government bond prices were again on the retreat yesterday, driving other European markets down with them, as fresh data pointing to strong economic growth reinforced fears that interest rates in Germany have reached their low point in the current cycle.

West German gross domestic product grew 0.5 per cent in the first quarter, or 2.1 per cent year-on-year, suggesting that economic growth is exceeding economists' expectations. The data follows the recent upward revision of growth by the OECD, which now has a target of 1.8 per cent for the pan-German economy this year.

However, Mr Ken Wattret, an international economist at Midland Global Markets, said that traders had ignored some positive elements for the market. "We believe the recovery is export-led, so the Bundesbank will continue to support the recovery with rate cuts," he said, adding that the detailed figures back up this view.

However, the negative reaction to the data also reflects the generally bearish sentiment overhanging European bond markets. The German market failed to take any comfort from the downward revision of M3 money supply in April to 15.4 from the 15.8 per cent. Dealers said that unemployment data was ignored by the market, as it is not strictly relevant to the interest rate outlook.

GOVERNMENT BONDS

The September German bund future on Liffe ended down 0.32 point at 92.27.

■ UK government bonds showed further weakness yesterday in a continuation of the trend seen in recent weeks.

With no new economic data published yesterday analysts saw no reason for investors to change their view of the market's prospects, and gilts drifted lower with other European markets.

"The underlying sentiment is still shot to bits," said one analyst. "Most institutional fund managers are optimistic but that is a long way from being willing to put money into the market. They don't want to take that risk."

Traders reported some profit-taking and said that there was disappointment that no further headway had been made after the rally last week.

"Quite a lot of money was spent last week and the UK rallied more than the other European markets. It was oversold and it's now reached fair value, which means that prop has gone now," said Mr Bob Dobson, head of gilt sales at Daiwa Europe.

Analysts said today's industrial production figures and the outcome of the European elections would be important for gilts.

"If the Tories do slightly better than expected, then the market may get a bit of a boost," said Mr Ian Shepherdson, UK economist at Midland Global Markets. The long gilt future was down 1$\frac{7}{32}$ point at 100½ in late trading.

■ French government bonds moved slightly lower yesterday in trading dominated by movements in the German bond market.

Analysts said sentiment still remained negative. "Both France and Germany are cheap but we are still going to see continued selling," said one trader.

Mr Julian Callow, an economist at Kleinwort Benson, said that tomorrow's industrial production and consumer price data due on Friday could provide further signs of strengthening economic recovery.

■ US Treasury bonds drifted lower in light trading yesterday morning as the market paused after a two-day rally.

By midday, the benchmark 30-year government bond was down ¼ at 87⅞, with the yield rising to 7.250 per cent. At the short end, the two-year note eased $\frac{1}{32}$ to 100$\frac{3}{32}$, to yield 5.772 per cent.

Early on, prices moved modestly lower as traders followed through on weakness suffered by US securities in overnight trading in Tokyo.

During the mid-morning, bonds gradually clawed their way back, though there was no new economic news or overriding technical conditions to shape the morning's activity. Action in the commodity and foreign exchange markets was featureless. Still, prices ebbed for a second time near midday.

The next significant event on the economic calendar is the release of May producer price data on Friday, followed by consumer price figures next Monday. The market is priced for tame readings on inflation in both reports.

Economists are forecasting a 0.2 per cent increase in the PPI, following a slight decline the previous month. The CPI is expected to show a 0.3 per cent gain, against an 0.1 per cent increase in April.

Chase gains equity trade powers in US

By Richard Waters in New York

Chase Manhattan has become the latest bank to be given the power to underwrite and trade equities in the US, marking a further erosion of the barriers that have kept commercial banks out of the investment banking business.

Like others, though, Chase has no ambitions to grow a large-scale securities business quickly, and is anyway severely limited in its ability to underwrite and trade securities. Under Federal Reserve rules, only 10 per cent of its securities subsidiary's income can come from these activities.

Chase's cautious approach in the US has also been shaped by its disastrous experience in the UK, where it suffered big losses after acquiring local brokers Simon & Coates and Laurie Millbank in the mid-1980s.

"In the UK, we tried to build a stand-alone investment bank," said Mr Paul Brandow, president of Chase Securities in the US and a former head of Chase's UK securities business. "It never got integrated into the rest of the bank." The plan in the US, by contrast, is to use the securities powers to raise money for existing customers of the bank, he said.

Like a handful of other US banks, Chase has already used its powers to underwrite and trade debt securities to engage in the sub-investment grade bond business. It has also been among the most active US banks in bringing issuers from developing countries to the US markets. The equity powers will be used to extend activities for these types of issuer, said Mr Brandow.

Chase is the sixth US commercial bank to be given equity powers.

Moody's cuts BNP senior debt rating

By Tracy Corrigan

Moody's has lowered the debt rating of Banque Nationale de Paris and placed Société Générale's debt under review for possible downgrade.

BNP's senior debt rating, which had been under review since January 14, dropped from Aa1 to Aa3. The agency said the cut was based on a belief that BNP's profitability and economic capitalisation would be challenged for some time by asset-quality stress, competition among banks and low credit demand. Moody's said any SocGen downgrade would "probably be minor".

● The Aa3 long-term debt rating of the Industrial Bank of Japan has been placed under review for possible downgrade by Moody's.

Ontario offering may have pricing concession

By Antonia Sharpe

The Province of Ontario is expected to make some concession on pricing in order to ensure a successful launch for its first global offering of its new fiscal year. The issue, which could emerge today, is expected to raise around $1bn and have a maturity of 10 years.

INTERNATIONAL BONDS

Syndicate managers reported only muted interest in the deal, due to Ontario's frequent presence in the market and its recent downgrading. As a result, the price talk centred around 65 to 67 basis points over 10-year Treasuries, even though Ontario's outstanding dollar bonds were trading at a yield spread of around 63 basis points in the secondary market.

Salomon Brothers, which has been appointed joint bookrunner with Goldman Sachs, with RBC Dominion as joint lead manager, said the lack of a 10-year eurodollar benchmark would increase the attraction of Ontario's deal. There have been few eurodollar offerings with a 2004 maturity due to the volatility in the financial markets this year.

Advance Bank Australia, a building society-turned-bank operating mainly in New South Wales, made its first appearance in the eurobond market yesterday with a $250m offering of floating-rate notes due 1999. The discounted margin on the notes was 40 basis points over Libor. Lead manager J.P. Morgan said the bonds were selling well, reflecting the extensive pre-marketing efforts and the bank's positive credit outlook. The bonds were kept in syndicate overnight.

Elsewhere, a rise in the Canadian dollar and continued currency arbitrage opportunities prompted a further supply of short-dated Canadian issues yesterday as SNCF and Swedish Export Credit raised a total of $250m through offerings of five-year and three-year Eurobonds respectively.

Investors were attracted by the relatively high coupons on both issues, the proceeds of which were believed to have been swapped into floating-rate dollars.

● Argentina's Banco de la Ciudad de Buenos Aires will issue a sixth $20m tranche of six-month notes under its two-year $100m euro-commercial paper programme. West Merchant Bank and Banco Medefin are dealers for the programme.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Advance Bank Australia‡	250	(a)	99.78R	Jun.1999	0.20R	-	JP Morgan Securities
Walsin Lihwa Corp.(b)§	75	(3-3½)	100.00	Jun.2004	2.50	-	Daiwa Europe
YEN							
LB Rheinland-Pfalz	10bn	3.80#	100.25	Jul.1999	0.25	-	Salomon Brothers Intl.
Mitsubishi Corp. Finance(c)	5.3bn	(d)	100.25	Sep.1997	0.25	-	Bank of Tokyo Capl.Mkts.
CANADIAN DOLLARS							
SNCF	150	8.375	99.52R	Dec.1999	0.25R	+15 (7¾%-99)	Swiss Bank Corp.
Swedish Export Credit(e)	100	7.875	99.70R	Jul.1997	0.1875R	+20 (f)	RBC Dominion Securities
ITALIAN LIRE							
San Paolo, Turin(g)	100bn	10.40	100.50	Jun.2004	2.00	-	San Paolo, Turin

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +35bp. b) Priced later. Conv premium indicated at 7-12%. Callable, conditional on conversion being permitted, after 3 yrs subject to 140% rule. Puttable, if conversion option is not available, annually from 16.6.99 at Treasuries +50bp. c) Callable on 26.9.95 and 96 at par. d) 3% to 26.9.95, 3.55% to 26.9.96 and 4% thereafter. e) Short 1st coupon. f) Over interpolated yield. g) Issue launched on 3.6.94 was increased to L400bn. Issuer may convert on 30.6.99 into FRN paying 6-mth Libor +50bp.

Hellenic Republic loan to pay Libor plus 80

By Antonia Sharpe

The Hellenic Republic disclosed yesterday that the annual interest rate on its forthcoming five-year $500m syndicated loan will be 80 basis points over the London interbank offered rate (Libor).

The average life of the loan, Greece's first in four years and the first under its new sovereign name, is about 4¼ years since it will have to start repaying the loan in equal semi-annual instalments after three years.

Thirteen banks have underwritten the loan on an equal basis: The Bank of Tokyo, Chase Investment Bank, Citibank International, Dai-Ichi Kangyo Bank, Fuji Bank, Hill Samuel Bank, Lloyds Bank Capital Markets, Mitsubishi Bank, J.P. Morgan Securities, NatWest Capital Markets, Sanwa Bank, Sumitomo Bank and Union Bank of Switzerland.

Greece will not be paying a commitment fee on the loan since it is expected to draw down the whole amount within one month of the signing. Syndication started on Monday and is expected to close on or before June 24. Participation fees are: senior lead managers ($20m and above) 1.35 per cent; lead managers ($15m to $19.5m) 1.25 per cent; managers ($10m to $14.5m) 1.2 per cent; co-managers ($5m to $9.5m) 1.10 per cent; participants ($1m to $4.5m) 1 per cent.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	102.3900	−0.550	8.64	8.66	8.71
Belgium		7.250	04/04	95.1300	−0.880	7.98	7.98	7.55
Canada *		6.500	06/04	86.2000	−0.150	8.59	8.75	8.58
Denmark		7.000	12/04	92.7000	−0.120	8.05	8.11	7.40
France	BTAN	8.000	05/98	104.3750	−0.130	6.68	6.55	6.27
	OAT	5.500	04/04	87.0000	−0.230	7.40	7.34	6.98
Germany		6.750	05/04	98.0900	−0.230	7.02	6.98	6.52
Italy		8.500	01/04	91.1200	−0.230	9.96†	9.96	9.02
Japan	No 119	4.800	06/99	105.1630	−0.630	3.59	3.14	3.29
	No 157	4.500	06/03	100.7110	−1.320	4.39	3.83	3.94
Netherlands		5.750	01/04	90.8000	−0.400	7.10	7.06	6.75
Spain		10.500	10/03	102.7000	−0.300	10.02	9.86	9.59
UK Gilts		6.000	08/99	91-05	−18/32	8.13	8.21	7.90
		6.750	11/04	88-00	−32/32	8.50	8.65	8.25
		9.000	10/08	103-23	−39/32	8.54	8.71	8.34
US Treasury *		7.250	05/04	102-07	−9/32	6.94	7.19	7.37
		6.250	08/23	87-31	−14/32	7.25	7.46	7.55
ECU (French Govt)		6.000	04/04	87.2000	−0.710	7.91	7.80	7.44

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.03	Two year	5.77
Prime rate	7¼	Two month	4.12	Three year	6.09
Broker loan rate	5½	Three month	4.23	Five year	6.50
Fed.funds	4$\frac{5}{16}$	Six month	4.67	10-year	6.92
Fed.funds at intervention	-	One year	5.12	30-year	7.23

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	117.00	117.20	-0.22	117.28	116.52	258,835	69,827
Sep	116.08	116.24	-0.24	116.34	115.60	44,569	84,268
Dec	115.16	115.34	-0.24	115.16	115.12	27	8,670

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Sep	Calls Dec	Puts Jul	Puts Sep	Puts Dec
116	1.05	1.91	-	1.04	1.75	-
117	0.79	1.37	-	-	-	-
118	0.44	0.96	-	-	2.77	-
119	0.22	0.68	-	2.97	3.39	-
120	0.09	0.40	-	-	-	-

Est. vol. total, Calls 26,112 Puts 32,014. Previous day's open int., Calls 270,827 Puts 236,989.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.85	92.95	-0.24	93.13	92.80	8623	12191
Sep	92.26	92.27	-0.32	92.58	92.11	131783	133150
Dec	92.95	91.84	-0.33	92.04	91.75	298	431

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9200	0.91	1.34	1.58	1.84	0.64	1.07	1.31	2.00
9250	0.65	1.07	1.32	1.60	0.88	1.30	1.55	2.26
9300	0.44	0.86	1.08	1.36	1.17	1.59	1.81	2.52

Est. vol. total, Calls 11869 Puts 11307. Previous day's open int., Calls 162726 Puts 161974

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.83	98.70	-0.36	98.88	98.70	78	483
Sep	98.20	97.99	-0.39	98.20	98.20	28	50

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	106.15	106.60	+0.01	107.00	105.95	44613	61917
Dec	105.40	105.60	-0.09	105.40	105.40	50	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10650	2.35	2.77	2.25	3.67
10700	2.10	2.55	2.50	3.95
10750	1.88	2.35	2.76	4.25

Est. vol. total, Calls 1948 Puts 1107. Previous day's open int., Calls 16925 Puts 15010

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	93.80	93.75	-0.46	94.01	93.58	53,004	96,053
Sep	93.30	93.24	-0.47	93.39	93.04	13,266	36,575

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	102-26	101-24	-1-08	102-26	101-25	3094	22063
Sep	101-14	100-16	-1-07	101-18	100-16	73735	0
Dec		99-16	-1-07			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
100	2-44	3-10	2-12	3-42
101	2-11	2-45	2-43	4-13
102	1-48	2-19	3-16	4-51

Est. vol. total, Calls 453 Puts 747. Previous day's open int., Calls 43116 Puts 26872

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	84.40	84.32	-0.40	84.46	83.70	2,902	6,487
Sep	83.70	83.66	-0.36	83.74	83.16	1,059	2,619

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	106-09	105-31	-0-13	106-09	105-25	42,064	142,911
Sep	105-10	105-02	-0-12	105-11	104-28	335,310	269,561
Dec	104-22	104-13	-0-13	104-22	104-08	2,929	35,831

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	109.25			109.74	109.00	5646	0
Dec						0	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue June 7	Day's change %	Mon June 6	Accrued interest	xd adj. ytd		Low coupon yield June 7	June 6	Yr. ago	Medium coupon yield June 7	June 6	Yr. ago	High coupon yield June 7	June 6	Yr. ago
1 Up to 5 years (24)	122.33	−0.32	122.72	2.43	4.34	5 yrs	8.17	8.03	7.13	8.39	8.24	7.36	8.50	8.34	7.57
2 5-15 years (22)	140.37	−0.83	141.89	2.20	5.66	15 yrs	8.44	8.31	8.05	8.58	8.43	8.42	8.89	8.77	8.69
3 Over 15 years (9)	156.93	−1.42	159.18	2.28	5.25	20 yrs	8.36	8.27	8.27	8.58	8.43	8.53	8.69	8.58	8.74
4 Irredeemables (6)	179.09	−0.39	179.79	1.26	6.36	Irred.†	8.40	8.37	8.62						
5 All stocks (61)	138.32	−0.77	139.56	2.32	5.17										

Index-linked							Inflation 5% June 7	June 6	Yr. ago	Inflation 10% June 7	June 6	Yr. ago
6 Up to 5 years (2)	185.48	−0.10	185.67	0.91	2.63	Up to 5 yrs	3.78	3.73	2.98	2.81	2.76	2.26
7 Over 5 years (11)	174.00	−0.39	174.67	1.34	1.69	Over 5 yrs	3.80	3.77	3.57	3.62	3.59	3.40
8 All stocks (13)	174.31	−0.36	174.93	1.29	1.77							

Debentures and Loans						5 year yield June 7	June 6	Yr. ago	15 year yield June 7	June 6	Yr. ago	25 year yield June 7	June 6	Yr. ago
9 Debs & Loans (76)	128.30	−1.23	129.89	2.05	5.27	9.71	9.55	9.03	9.57	9.41	9.41	9.47	9.33	9.54

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	June 7	June 6	June 3	June 2	June 1	Yr ago	High*	Low*
Govt. Secs. (UK)	92.62	93.13	92.92	92.09	91.04	95.02	107.04	91.04
Fixed Interest	110.76	110.71	109.45	109.12	109.33	110.94	133.87	109.12

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	June 6	June 3	June 2	June 1	May 31
Gilt Edged bargains	92.8	114.7	110.3	100.4	85.9
5-day average	100.8	98.9	102.3	105.7	104.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 7

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	89¼	89½	−⅛	7.58
Alberta Province 7⅞ 98	1000	102½	102¾		6.93
Austria 8½ 00	400	106⅝	107	−⅛	7.02
Bank of Tokyo 8⅜ 96	100	103⅛	103⅜	−⅛	6.47
Belgium 5½ 03	1000	87	87¼	−⅛	7.46
BFCE 7¼ 97	150	103	103⅜		6.50
[illegible]					
United Kingdom 7¼ 97	5500	102¼	102⅜	−¼	6.35
Volkswagen Intl Fin 7 03	1000	97⅜	98¼	−⅜	7.36
World Bank 0 15	2000	22	22¼	−½	7.28
World Bank 5⅞ 03	3000	91⅜	91½	−¼	7.16
World Bank 8¾ 00	1250	110⅝	111	−¼	6.61
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	92½	92¾	−½	9.27
Alliance Leics 11⅜ 97 £	100	108¼	108⅝	−¼	8.08
British Land 8⅞ 23 £	150	87⅛	87⅝	−1⅞	10.53
Denmark 8¾ 98 £	800	94⅝	94⅞	−⅝	8.30
EIB 10 97 £	637	105	105⅜	−⅜	7.81
Halifax 10⅜ 97 £	100	105¾	106⅛	−¼	7.93
[illegible]					

DEUTSCHE MARK STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

OTHER STRAIGHTS [illegible]

FLOATING RATE NOTES — Issued, Bid, Offer, C.cpn [illegible]

CONVERTIBLE BONDS — Issued, Cnv. Price, Bid, Offer, Prem. [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	1994 High	1994 Low
Shorts (Lives up to Five Years)						
Treas. 10pc Ln. 1994‡‡	10.00	-	100	—	102$\frac{1}{32}$	100
Exch 12½pc 1994	12.30	4.89	101⅝	—	[illegible]	101⅝
Treas 9pc 1994‡‡	8.85	5.07	[illegible]	—	[illegible]	[illegible]
12pc 1995	11.51	5.17	104¼	—	107$\frac{7}{32}$	104¼
Exch 3pc Gas 90-95	3.06	5.09	98⅛	—	98¼	97⅛
10¼pc 1995	9.77	5.71	[illegible]	—	[illegible]	[illegible]
[illegible]						
10pc 2003	9.28	8.74	107$\frac{25}{32}$	−⅞	127$\frac{1}{16}$	105⅝
Treas 11½pc 2001-4	10.17	8.89	113$\frac{3}{16}$	[illegible]	125$\frac{29}{32}$	111⅛
Funding 3½pc '99-4	4.80	7.82	72⅞xd	−⅝	86$\frac{3}{16}$	71$\frac{3}{16}$
Conversion 9½pc 2004	9.00	8.67	105$\frac{9}{16}$	−1$\frac{1}{16}$	125$\frac{3}{16}$	103$\frac{3}{16}$
Treas 6¾pc 2004‡‡	7.66	8.48	88$\frac{3}{16}$	−1	105⅛	88
Conv 9½pc 2005	8.97	8.65	105⅝	−1$\frac{1}{16}$	125½	103$\frac{3}{32}$
[illegible]						
Index-Linked						
2pc '96 (67.9)	2.75	3.86	198$\frac{1}{16}$	−⅛	203⅝	197$\frac{15}{16}$
4⅝pc '98‡‡ (135.6)	2.87	3.59	107$\frac{3}{16}$	−⅛	113$\frac{3}{16}$	106$\frac{3}{16}$
2½pc '01 (78.3)	3.29	3.68	165$\frac{21}{32}$	−⅜	176⅝	164$\frac{3}{16}$
2½pc '03 (78.8)	3.38	3.70	162⅛	−⅛	173⅝	160⅝
4⅝pc '04‡‡ (135.6)	3.39	3.68	109$\frac{3}{16}$	−⅜	118⅛	107$\frac{13}{16}$
[illegible]						

Other Fixed Interest [illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. ‡ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

COMPANY NEWS: UK

Anglian Group at £25m in improving market

By Simon Davies

Anglian Group, the double glazing company, yesterday announced an 8.7 per cent increase in annual pre-tax profits to £25.1m, despite the loss of business from the privatisation of the Property Services Agency.

Mr Bill Hancock, chief executive, said: "We do not expect the current year to be easy, but consumer confidence in the domestic sector, though still patchy, has improved."

The share price rose 13p to 251p yesterday, but that compared with a price of more than 320p before the March profits warnings over PSA sales.

Anglian revealed that sales to the PSA market for the year to April 2 had fallen from £19.2m to £7.8m. It added, however, that it had achieved a reasonable level of lower margin sales to the PSA's successors and had also increased sales to local authorities and housing authorities.

Reflecting this confidence, the dividend for the year is being increased by 8.4 per cent to 10.3p via a recommended final of 6.2p. Earnings per share rose from 18.7p to 19.3p.

Total turnover increased by 17 per cent to £176.7m,

Bill Hancock: doesn't expect the current year to be easy

although £17.2m of the figure was attributable to recently-acquired New England Windows. Increased retail sales made up for the PSA shortfall. Overall, profit margins were roughly maintained at 14.8 per cent.

Anglian said the new automated production line would begin operating later this month and said it was confident this would enable it to ease pressure on its profit margins. These would also be boosted by a 5 per cent increase in prices, put through in January.

The company recently acquired a 77.5 per cent stake in Living Design, one of Scotland's largest window and kitchen groups. It was now looking at the possibility of acquiring a PVC-u business to lower costs for the new production base.

Anglian has also expanded into the security alarm business through the purchase of 75 per cent of Status Innovations, with a view to marketing security products to its existing client base.

● **COMMENT**

Anglian has succeeded in weathering the recession with remarkable ease, but having already taken a main share of the market it is going to struggle to achieve more. Its new production line should help maintain profit margins, but the market place remains competitive, and it will have to rely on volume increases to boost its profits. Analysts believe it can push pre-tax profits up to £28m for the current year, which leaves the shares on a p/e ratio of 11.6. This suggests some upside potential for the share price, but the outlook is unexciting.

Henderson Admin rises 39% to £20.3m

By Bethan Hutton

Henderson Administration, the fund management group, increased funds under management by 18 per cent to £13.5bn at the end of March 1994, in spite of losing pension fund accounts.

Pre-tax profits were up 39 per cent from £14.6m to £20.3m. These are the first full-year results to include a full contribution from the Touche Remnant fund management business, acquired in December 1992.

Revenue increased by 38 per cent from £47.7m to £65.7m, and expenses rose 26 per cent to £48.1m, producing an operating profit of £17.6m. Interest and investment income fell from £5.48m to £2.18m.

Earnings per share grew 43 per cent to 65.3p, and the total dividend rose 5 per cent to 44p after a recommended final of 31.5p (29.5p).

Mr Ben Wrey, chairman, blamed the loss of pension fund business on the highly competitive state of the pensions market, where the tendency was for funds to be concentrated in the hands of the top four or five managers.

Mr Wrey said Henderson was relying on its improved performance record, placing it twelfth out of 36 managers over a five year period, to stop the outflow of funds. The group had £5.25bn (£5.38bn) pension money under management at the end of March.

Funds under management increased most sharply in the international division, being more than doubled at £984m, against £467m. The figure included Seligman Henderson, the US joint venture, as well as other clients in the US and the Netherlands. Funds under administration, including offshore funds and Peps, grew by 85 per cent to £1.4bn.

On the retail side, one new investment trust, the HTR Japanese Smaller Companies trust, was launched during the year. The unit trust range was rationalised to remove overlaps between Henderson and Touche Remnant funds. Investment trust funds under management stood at £3.58bn at the year end, up 24 per cent, and unit trusts at £1.34bn, up 18 per cent.

Associated businesses made a profit of £464,000, after a loss of £585,000 last year.

Nationwide up 47% but mortgage demand flat

By Norma Cohen, Investments Correspondent

Nationwide Building Society, the UK's third largest, yesterday announced a 47 per cent rise in pre-tax profits to £252.7m for the year ended April 4 despite flat mortgage demand.

The society benefited particularly from a reduction in loan loss provisions, cuts in administrative expenses and strong commission growth from sales of life and general insurance products.

Net mortgage balances for the year were stable at £28.1bn, and Nationwide said it had taken steps to improve the quality of its mortgage business. Provisions for losses on mortgage loans fell to £256.2m (£285m), while other loan provisions fell from £44.3m to £26.1m.

Mr John Wriglesworth, building society analyst at stockbrokers UBS Philips and Drew, said that while the latest results showed a strong improvement at Nationwide, "they are not out of the river yet".

The society's ratio of provisions to loans, at 1 per cent, is still well above the industry average of 0.7 per cent.

While Nationwide has made great strides in paring its costs-to-income ratio to 49.44 per cent against 53.45 per cent a year ago, the ratio remains well above the average of 43 per cent for the top 20 building societies.

Retail deposits remained unchanged at £25.4bn despite tough competition for individual customers' funds, Nationwide said. Wholesale funds also were little changed at £7.02bn, compared with £7.33bn.

The society's gross capital ratio rose to 7.5 per cent from 6.6 per cent at the end of the previous fiscal year, while its free capital ratio rose from 4.9 per cent to 6 per cent.

Mr Tim Melville-Ross, chief executive, said that in an effort to develop stronger relationships with its retail customers, it planned a further targeted individual mailing to all its discontinued account customers.

In retail financial services, Nationwide earned £115m from commissions on the sale of life and general insurance products, up from £107.7m.

Nationwide, which currently has an exclusive agreement to sell the products of Guardian Insurance, plans its own insurance subsidiary, Nationwide Life, from 1995.

Bloomsbury Publishing to raise £5m via placing

Bloomsbury Publishing, the Soho-based company started in 1986 is seeking to raise £5m in a placing when it comes to the market this month, writes Antonia Sharpe.

The flotation will value the company at about £8.5m. A prospectus will be issued next week and dealings should start the week after.

Of the total raised, £2m will go to Bloomsbury's original backers which include Baring Venture Partners, Caledonia Investments and ECI Ventures.

After the flotation, their combined stake will fall from a little less than 50 per cent to a little more than 10 per cent. About £250,000 will be shared among the authors who are beneficiaries of the Bloomsbury Authors' Trust.

The remainder will be used to expand into home reference books, paperbacks and children's books.

RPC advances 12%

By Maggie Urry

RPC Group, the rigid plastic packaging maker which came to the stock market in May last year, yesterday reported an 11.8 per cent rise in pre-tax profits from £6.83m to £7.63m in the 53 weeks to March 31.

Mr Lindsay Mackinlay, chairman, said the results were in line with the group's expectations at the time of the float, and that the current year had "started satisfactorily although our markets remain competitive". The shares, which were floated at 125p, fell 1p to 151p yesterday.

Operating margins increased once more, from 10.8 per cent to 11.5 per cent, and Mr Ron Marsh, chief executive, said there was scope to improve them yet further.

Mr Chris Sworn, finance director, said the margin increase stemmed from higher volumes, a reduction in some overheads, including audit fees, and a switch from low margin products such as soft drink bottles to higher margin lines like sauce bottles.

Mr Marsh said new products included bottles for Marks and Spencer's bath foams, bottles for Tate & Lyle "Tops" syrups, and squeezy bottles for HP Sauce. A range of baby wipe containers employed three different processors and RPC was the only UK producer who could supply the full range. It had also recently introduced 25 per cent post-consumer recycled material into its plastic paint containers, meeting environmental concerns.

Group sales rose 6.7 per cent to £68m, roughly equalling the increase in tonnes of raw materials used as prices remained under pressure.

Operating profits rose 13 per cent to £7.85m, before a rise in the interest charge to £220,000 (£123,000), which was caused by the £4.18m cash outflow at the time of the float when preference shares were redeemed and some ordinary shares bought in.

Year end debt stood at £4.09m, 15 per cent of shareholders funds.

The tax rate was 28 per cent, and earnings per share were 9.4p. A recommended final dividend of 2.2p gives a total of 3.2p, compared to a notional 3p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Colloids ....fin	3.72	Aug 31	3.35	4.72	4.29
Amersham Intl ....fin	11.1	July 22	9.5	15.5	13.5
Anglian Group ....fin	6.2	Sept 8	5.8	10.3†	9.5
Anglian Water ....fin	15.5	Oct 3	14.3	22.8	21.1
Apollo Metals ....int	1.2	July 29	1.2	-	3.6
CML Micro § ....fin	6	July 29	4.7	6	4.7
Gartmore Value ....fin	0.952	-	0.952	3.81	3.81
Great Portland ....fin	5.3	July 18	6.6	8	10
Henderson Admin ....fin	31.5	July 19	29.5	44	42
Ingham ....fin	3.25	Aug 19	4.5	5	6☆
Leigh Interests ....fin	5.37	Oct 3	5.37	7.83	7.83
Norcros ....fin	3.5	Aug 2	3.5	7	7
Powerscreen ....fin	5.3	July 29	4.8	7.3	6.6
RPC ....fin	2.2	Aug 12	-	3.2	-
Staveley ....fin	6.2	Aug 9	6.2	8.5	8.5
St James's Cap ......fin	1.5	July 29	1.5	3	3
TR Prop Inv Trst ......fin	0.5	July 29	0.5	0.9	0.9
Turkey Trust ....int	nil	-	nil	-	3
Vodafone ....fin	4.23†	Aug 17	3.53	8.35	6.96

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ For 15 months.

LEGAL NOTICES

"TAIWAN SUPPLY BUREAU"
TENDER ANNOUNCEMENT

BUYER: TAIWAN RAILWAY ADMINISTRATION (TRA)
PURCHASING AGENT: TAIWAN SUPPLY BUREAU (TSB)
3, KAI FENG STREET, 1ST SEC.
TAIPEI, TAIWAN, R.O.C.
TEL: (02) 3110814 FAX: (02) 3610995

INVITATION NO.	TENDER OPENING DATE	DESCPITION OF SUPLIES	Q'TY/UNIT /CAR
TSB-9432-130	9:30 A.M. JUNE 30, 1994	I. DIESEL MULTIPLE UNIT (DMU) II. DIESEL RAILCAR (DRC)	10 UNITS (30 CARS) 36 CARS

For further details, please refer to the tender Invitation. The tender Invitation is waiting to be taken back (fee USD340) and welcome to participate.

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
NO 002762 OF 1994

IN THE MATTER OF
CLARKE, NICKOLLS & COOMBS PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 25th May 1994 confirming the reduction of the capital of the above named Company from £27,418,570.40 to £22,000,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 27th May 1994.

Dated this 8th June 1994
Lovell White Durrant, 65 Holborn Viaduct, London, EC1A 2DY
Ref: A4/CDG/JMB
Solicitors for the above named Company.

PERSONAL

COMPANY NEWS: UK

Amersham shows 65% growth to £43.5m

By Paul Taylor

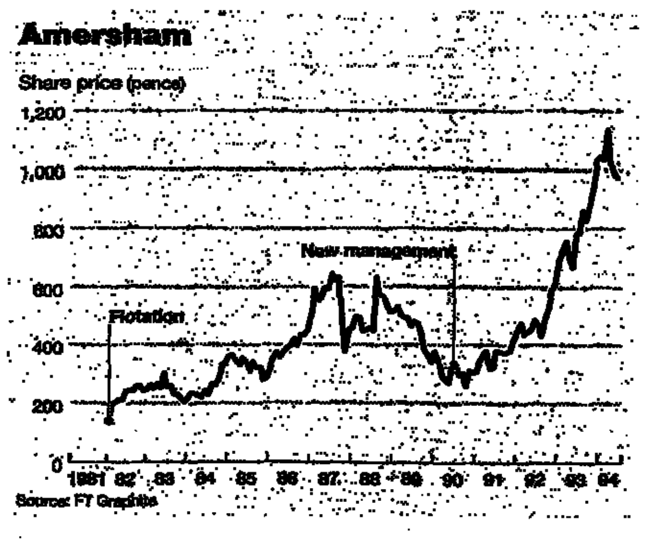
Solid underlying business growth, exchange rate movements and a US acquisition helped Amersham International, the health science group, increase pre-tax profit by 65 per cent from £26.3m to £43.5m in the year to March 31.

Turnover increased by 20 per cent to £324.2m (£269.3m). This reflected a £30.7m first time contribution from US Biochemical acquired last April, offset by a £23.8m reduction in turnover from the Clinical Reagents business transferred to Eastman Kodak.

Earnings per share, reflecting the 4.9m shares issued to acquire USB, grew by 55 per cent to 47p, up from 30.4p the previous year. A recommended final dividend of 11.1p (9.5p) makes a total for the year of 15.5p, up 15 per cent. The shares closed 33p higher at 971p.

Trading profits increased by 54 per cent to £63.4m (£41.1m), with USB accounting for £4.9m of the increase. Underlying turnover and trading profits both increased by 10 per cent.

After a 26 per cent increase in research and development spending of £20.1m (£15.9m), operating profits were 72 per cent higher at £43.3m (£25.2m), including a £3.1m contribution from USB and a net £13.2m year-on-year gain from exchange rate movements. Underlying operating profit growth at constant exchange rates was 7 per cent.



Life sciences, the largest division, which sells reagents to medical and pharmaceutical research establishments and now includes USB, returned to real profit growth.

It generated operating profits of £31.2m (£19.1m) on turnover 49 per cent higher at £147.6m.

The healthcare division boosted turnover by 26 per cent to £119.3m and more than doubled operating profits to £9.4m (£3.9m.)

The group's share of associated undertakings increased to £600,000 (£200,000).

Net interest costs of £400,000 compared with net receipts of £900,000. Despite spending £10.6m in cash on the USB acquisition the group ended March with net cash of £7.7m compared with £2.6m a year earlier.

● **COMMENT**

Amersham's performance, and its management which has rejuvenated the business, continues to impress. The underlying profit growth remains solid and last year's exchange rate gains helped fund the substantial increase in R&D spend and new branded product launches which will fuel its future performance. Much more modest currency gains are expected this year but pre-tax profits of £51m look possible, producing earnings of about 55p a share. The stock is trading on a forward multiple of 17.6, but could still go higher. In the meantime dividend cover has been restored to three times, and future dividend growth should be more in line with earnings.

Gt Portland plans 20% dividend cut

Great Portland Estates, a leading property company which has diversified from its traditional central London base in recent years, plans to cut its dividend for the first time in its 35-year history.

A recommended final payment of 5.3p will make a total of 8p, against 10p a year earlier. The 20 per cent cut had been flagged and the shares closed down only 7p at 196p.

The cut was proposed because the redevelopment of one property and sale of others had caused a £6m reduction in gross rental income. Overall, rental income was flat at £87.3m.

The company said, however, it was likely to increase the dividend again in the current year.

Pre-tax profits for the year to end-March fell from £34.04m to £25.4m but would have been flat but for a £9.7m charge for renegotiating a syndicated loan and associated swap arrangement.

Earnings per share after the charge and a higher tax rate fell to 5.5p, against 11.3p adjusted for last June's rights issue.

Net asset value rose 21 per cent, from 172p to 209p. The company's investment portfolio was valued at March 31 at £1.04bn, representing, after capital expenditure, an increase of 14 per cent and a running yield of 8.75 per cent.

In the latest year, central London accounted for 57 per cent of the portfolio against 84 per cent in 1989, and retail space for 33 per cent (13 per cent).

Maxmin to get £1.2m from L Ashley

By Peggy Hollinger

Mr Jim Maxmin, the former chief executive of Laura Ashley, is to receive a £1.2m payoff following his abrupt departure from the fashion retailer which he is widely credited with reviving.

The news of Mr Maxmin's compensation package, which includes two years' salary and pension payments, was accompanied by the departure from the board of his protege, Ms Denise Lincoln, the human resources director.

Further management changes are likely to be announced within the next few weeks, although it is not clear whether Mr Maxmin will be replaced. Mr Hugh Blakeway-Webb, who lives in the US and receives expenses of £1,000 a day, stepped up from non-executive to executive chairman following his departure.

Mr Maxmin left Laura Ashley in April after what was described as a disagreement over investment priorities. It is understood that Mr Maxmin was pushing for greater investment in human resources, while the non-executives wanted to focus on retailing.

The non-executives include Mr Takuya Okada of Aeon, the Japanese group which bailed out Laura Ashley with a £30m cash injection in 1990.

The non-executives were also thought to have been unhappy with Laura Ashley's performance in the US, where Mr Maxmin frankly admits the company failed to get to grips with the problems. However, it is widely acknowledged that the US side is back on track.

Mr Maxmin was on a two-year rolling contract, with a salary of £399,000 or $590,000 in the last annual report. He also has options on 2m shares at 70p and 90p which he will retain.

Two days after announcing Mr Maxmin's departure, the group reported pre-tax profits of £3m on sales of £300m.

Ms Lincoln is expected to receive a compensation package of about £200,000. She was appointed to the board in 1992.

Boost for National Grid flotation

By Michael Smith

National Grid, operator of the high voltage power transmission system in England and Wales, yesterday fuelled expectations of a flotation next year when it increased dividends by 15.3 per cent against expectations of 10 per cent.

The company, which is owned by the regional electricity companies, announced pre-tax profits for the year to March 31 in line with forecast at £579.5m, against £533.2m.

However a lower than expected tax charge enabled the company to pay a final dividend of £2,062 making a total for the year of £2,982. It said the dividend rise was in line with the improvement in after tax earnings.

The profits growth was aided by a 9.5 per cent drop in staff numbers which stood at 4,682 at the year end, excluding those employed by the Energis telecommunications subsidiary. That compares with 6,537 in March 1991.

Energis accounted for £90m of the company's capital expenditure of £351m (£389m). The main transmission business accounted for £243m.

Some 1,500km of fibre optic cable has already been installed for Energis which is due to start services later this year.

Total group turnover increased marginally from £1.39bn to £1.43bn, reflecting income from increased new connections and higher sales in the ancillary services business.

At the end of the year under-recovery of revenues against the regulated maximum amount was about £14m. The company is allowed to recover the shortfall through adjustments to charges in future years.

Net debt decreased by £116.4m to £323m, leading to a fall in the net debt to equity ratio from 31 per cent to 19 per cent.

The company's performance will reinforce the City's belief that the regulatory regime on prices, in place until 1997, is relatively benign.

Nonetheless it provides a strong platform for the recs to stage a flotation. A disposal of at least 25 per cent of the company is likely next year, possibly in the spring.

Analysts believe the company is worth between £4bn and £5bn.

Powerscreen declines to £24.6m

By Simon Davies

Powerscreen International, the Northern Ireland-based manufacturer of screening and stone crushing equipment, yesterday announced a marginal decline in annual pre-tax profits due to the impact of disposals in early 1993.

The company recorded a strong improvement in sales from the UK market and east Asia, primarily Japan resulting in group turnover of £122.5m (£108.3m). Mr Shay McKeown, chief executive, said order books for the first two months of the year were "very healthy".

Pre-tax profits for the year to end-March slipped from £25.3m to £24.6m due to the loss of contributions from Guzzler, the US subsidiary.

However, Powerscreen's three core businesses all showed growth, and operating profits from continuing operations grew by 11 per cent to £23.9m.

The company is also increasing its dividend by 11 per cent to 7.3p, with a proposed final of 5.3p. Earnings per share rose to 22.4p (20.7p) due to a smaller tax charge resulting from lower US earnings. The share price closed 6p higher at 255p.

The UK and Ireland now account for 35 per cent of sales, with North America accounting for 26 per cent and Europe for 30 per cent. Screening, responsible for about half of turnover, experienced a 22 per cent increase in sales, aided by an upswing in the UK construction market and increased infrastructure spending in the US and east Asia.

Simplicity Engineering and Ludlow-Saylor, two US businesses acquired in February, made a £2m contribution to sales and are already operating profitably. The crushing and recycling products division recorded a 10 per cent sales increase, with its performance hampered by a decline in its recession-hit European markets.

Brown Lenox doubled machine sales to the UK and Ireland and the materials handling division, primarily its Mathro subsidiary, saw a 62 per cent increase in sales, having substantially broadened its product range and built up an export dealer network.

● **COMMENT**

After eight consecutive years of profits growth Powerscreen has finally recorded a decline, but this merely reflected business disposals. Overall, the results were positive, with profit margins maintained. Profits should hit £28m this year, putting the shares on a p/e of 10.4, and it should remain on a strong growth track for the following year. Powerscreen has switched to one of the big four accountancy firms and has increased disclosure, which should win over some City sceptics. After their recent decline, the shares appear to offer value.

Measurement setback for Staveley

By Caroline Southey

Staveley Industries, the measurement and mechanical engineering company which also owns British Salt, suffered a 65 per cent fall in pre-tax profits in the year to April 2 after a poor performance and a £10m reorganisation charge in its measurement division.

However, the total dividend will be held at 8.5p via an unchanged final of 6.2p.

Pre-tax profits fell from £24.4m to £8.6m on turnover down 2 per cent at £338.9m (£344.9m). Operating profits dipped 19 per cent to £20.2m.

"We have had a difficult year, but we believe the major problems have been tackled. I feel we have good prospects for growth – the key is to bring in the benefits of the reorganisation," said Mr Roy Hitchens, chief executive.

The company's minerals division, which supplies more than half of the UK salt market, lifted operating profits from £12.2m to £13m.

However, the measurement division performed poorly with operating profits down to £5.1m (£8.4m). The reorganisation includes rationalising Chronos Richardson, the systems division, by creating a single global operation.

Its plants in Germany and the US will be closed and manufacture transferred to Nottingham where the company will use a network of subcontractors. Mr Hitchens said this was to exploit UK labour rates which were 50 per cent lower than Germany's.

The mechanical and electrical services side suffered a 9 per cent drop in profits to £4m.

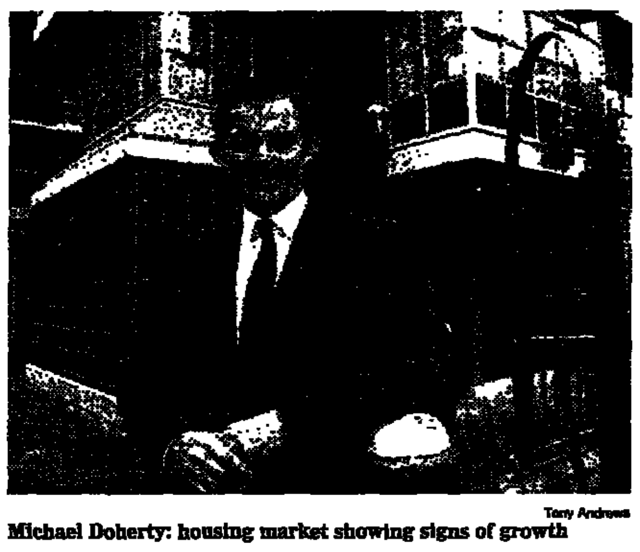
Earnings per share fell 79 per cent to 3.4p, but excluding reorganisation and exceptional costs they dropped 14 per cent to 13.9p (16.1p).

● **COMMENT**

Staveley's latest reorganisation plan faces a credibility problem. Several earlier attempts to overhaul the measurement division have failed over the past six years. But the new management team deserves the benefit of the doubt. If the division's shake up works, growth could be enhanced by acquisitions in niche markets. The minerals division remains safe and cash-generative. The mechanical and electrical services division should perform better next year as the upturn in construction takes hold. Pre-tax profits of £25m look possible this year for earnings of 16.4p. On a closing price yesterday of 209p, down ½p, the shares are on prospective p/e of 12.7. That is good value if the management makes good on their promises.

Lack of exceptional costs boosts Norcros

By Paul Taylor



Tony Andrews
Michael Doherty: housing market showing signs of growth

Norcros, the building materials and print and packaging group, reported a substantial improvement in full year pre-tax profits reflecting higher operating profits, the absence of exceptional losses and sharply reduced interest costs.

Profits in the year to March 31 jumped to £17.1m from £2.63m, restated £2.63m for FRS 3. Turnover grew by 7.4 per cent to £378m (£352m) reflecting improvements in most markets.

The pre-tax figure was struck after a £1.35m exceptional gain relating to the discontinuing property division. In the comparable period there was an exceptional loss of £7.59m on property disposals, offset by an earlier £4.5m provision.

Earnings per share of 6.6p compared with losses of 2.4p. The final dividend is maintained at 3.5p making an unchanged total for the year of 7p, as forecast at the time of the group's rights issue in June 1993. The shares closed 6p higher at 139p.

Mr Michael Doherty, chairman, noted that the UK housing market showed signs of growth last year while the commercial market continued to decline and refurbishment expenditure fell slightly.

"Against this background, many of our businesses performed very well and a majority of them produced improved sales and profits."

Group operating profits, including a £4.11m (£2.1m) contribution from associates, increased by 23 per cent to £24m (£19.4m.)

In the core building products division operating profits were flat at £5.9 on turnover of £165.5m (£152.5m.)

The restructured ceramics division, including associates, posted increased profits of £9.2m (£5.6m) on turnover of £126m (£115.7m) while the print and packaging businesses lifted profits to £10.7m (£8.9m) on turnover of £109.9m (£101.9m.)

Net interest costs fell to £8.19m (£13.7m) as net borrowings dropped from £120.2m to £68.7m representing gearing of 39.5 per cent down from 94.8 per cent a year earlier reflecting £19.4m of property disposals and the successful rights issue last year.

● **COMMENT**

Norcros' dividend payment, increased by last June's rights issue, remained uncovered last year but that should be rectified this year as lower interest costs, a slow improvement in operating margins and further property portfolio sales help profits move ahead. However the management still has to demonstrate that it can get to grips with the remaining building product loss-makers and convert higher sales into more impressive margins. Pre-tax profits of about £24m are expected this year producing earnings per share of 8.8p. Although the shares have taken a tumble recently they are still trading on a prospective multiple of 15.8 and look fairly priced.

VideoLogic joining market valued at up to £83.9m

By Alan Cane

VideoLogic, the Hertfordshire-based multimedia company, is to be demerged from its parent, Avesco, the broadcasting services company, and floated on the Stock Exchange via a placing and offer valuing the company at between £70.5m and £83.9m.

Avesco shareholders will receive one VideoLogic share for each Avesco share. They will also have a preferential opportunity to participate in the placing, which is expected to raise £21.5m of new money before expenses.

Some £13m will be available to VideoLogic to fund research and development into improved systems for full motion video on personal computer displays.

Yesterday, Mr Richard Murray, Avesco chairman, said VideoLogic had been transformed beyond recognition since it was acquired in 1989 and its potential could best be exploited through a separate listing.

At the same time, Avesco announced results for the year to March 31, showing revenues 4 per cent down at £22.5m (£23.4m) while losses rose from £1.3m to £7.2m. Losses per share were 9p (2.2p) and the dividend is passed. VideoLogic had sales of £9m and lost £5.6m.

Its results over the past three years have been hit by VideoLogic's requirements for research funding, totalling almost £10m. Following the demerger, Avesco is expected to have sales of £15m with pre-tax profits initially of about £1m. The net asset value of the company following the demerger will be about 18.5p a share.

The demerged VideoLogic's shares have not been priced. Warburgs, which is underwriting the placing, will determine a price of between 55p and 70p through book building.

The difference between the new money to be raised and available to the company will be accounted for by expenses, repayment of borrowings and the repayment of debt to Avesco.

Mr Derek Maclaren, VideoLogic chairman, and Mr Anthony Maclaren, managing director, are entitled to a bonus from Avesco on demerger, but have agreed to invest an aggregate £1.2m in VideoLogic shares, representing about half the bonus after deducting £250,000 each and making allowance for taxation.

Dealing in the shares will start on July 6.

Yesterday Avesco's shares fell 12p to 82p.

Ricardo gears up for £13.6m acquisition

By David Blackwell

Ricardo Group, the engineering consultancy, is to acquire the company that built the transmissions for the Jaguar XJ220 and the factory Ford Escorts in the world rally championship.

It is paying £13.6m for FF Developments, raising the money through a rights issue at 130p. The issue of 10.5m shares at 1-for-3.07 is fully underwritten by Hill Samuel Bank. Yesterday, Ricardo's shares closed 3p lower at 162p.

FFD, which is based in Coventry and Detroit in the US, made pre-tax profits of £1.58m last year on turnover of £16.5m, with the profits divided equally between the US and UK. It is 49 per cent-owned by Chrysler and 51 per cent by the Rolt family.

Mr Christopher Ross, Ricardo chairman, said yesterday that the group had been looking for a sensible acquisition after organic growth of 25 per cent in the automotive division for the past three years. FFD would broaden the group's scope in the transmission and chassis engineering sectors, complementing Ricardo's expertise on engines.

Ricardo has grown by selling its expertise on refining so-called NVH (noise-vibration-harshness) to large motor manufacturers.

FFD's customers include Chrysler, which accounted for 45 per cent of the US turnover, Ford, General Motors, Massey Ferguson, Volkswagen and Toyota.

The company has five divisions – chassis engineering, transmission engineering, transmission assembly, limited slip differentials and an engineering recruitment business. It was formed in 1971 by Maj Tony Rolt in order to apply four wheel drive systems and anti-lock braking systems, which the company pioneered.

Mr Stuart Rolt, chairman and chief executive of FFD since 1988, is receiving £2.34m of his consideration in Ricardo shares, which he has agreed not to sell for two years. He is also taking up a two-year service contract to remain with the company.

At the interim stage Ricardo doubled pre-tax profits to £1.97m on turnover of £30.1m. The board intends to recommend a final dividend of 4p (3.8p) on all shares in issue at the end of its financial year this month.

FT-SE Actuaries Share Indices

The FT-SE Actuaries Industry Classification Committee has decided on the following changes to classification of companies, to take effect on July 1:

Caverdale Group from Distributors of Industrial Components & Equipment (Sub-sector 412) to Vehicle Distributors (413); James Crean from Food Manufacturers (330) to Diversified Industrials (240); Halkin Holdings from Breweries (310) to Distributors, Other (414); Huntleigh Technology from Instruments, Tools & Mechanical Handling Equipment (269) to Health Care (360); Process Systems from Instruments, Tools & Mechanical Handling Equipment (269) to Electronic Equipment (253); Martin Shelton from Other Businesses (516) to Printing (284); Spandex from Building & Construction (210) to Distributors of Industrial Components & Equipment (412); Sutcliffe Speakman from Pollution Control (512) to Chemicals, Speciality (234); Western Mining from Diversified Industrials (240) to Other Mineral Extractors & Mines (125).

● London Share Service: Sungard Systems will be moved from Electronic & Electrical Equipment to Support Services with effect from July 1.

Disposal helps St James Place Capital to £81m

By Simon Davies

St James's Place Capital, the financial services group run by Lord Rothschild and Sir Mark Weinberg, yesterday announced a rise in pre-tax profits from £12.3m to £81.1m for the year to March 1994.

The figures were distorted by a £26.5m profit from the disposal of its stake in RIT Capital Partners last July, and from £26.8m investment profits, due to what Sir Mark described as exceptionally favourable conditions.

The company's fledgling life assurance and investment management businesses also performed strongly and provided a more substantial recurrent income base.

The company is paying a final dividend of 1.5p, making an unchanged total of 3p reflecting the reduction in group capital that followed the distribution to shareholders of the 37.6 per cent stake in RIT.

Earnings per share amounted to 27.5p (5p) or 17.8p excluding the RIT profits, while the net asset value per share rose by 29.6 per cent to 86.3p, also adjusted for the RIT distribution, which reduced net assets by £111.6m.

SJP has an investment portfolio of about £160m, and this generated substantial profits during the year, which are unlikely to be repeated.

In the second half of the year, SJP bought 80 per cent of International Financial Markets Trading, the fund management group. The enlarged fund management division, which also includes a 30 per cent stake in Global Asset Management, contributed £27.7m in profit (£14.2m).

SJP's life assurance business, J Rothschild Assurance, brought in £250m in new premium income during 1993-94 and the current year figures are "well ahead".

Profits amounted to £11.7m. However, the management cautioned that under the technical convention for the life insurance industry, of deducting a notional rate of tax, the declared profit would have been reduced to £7.3m.

Sir Mark said the group planned to reduce the importance of investment profits, by building up financial services. It had set up a subsidiary which plans to acquire and restructure existing life insurance companies.

In addition, SJP intends to build up its corporate finance activities, through the 50 per cent owned J Rothschild Wolfensohn.

Investment banking lost £700,000 last year.

Apollo Metals in red but improvement seen

By Paul Cheeseright, Midlands Correspondent

Apollo Metals, the aluminium distributor and processor, slipped into the red during the six months ended March 31, after three successive years of declining profits.

Pre-tax losses for this Birmingham-based company were £219,000, compared with profits of £588,000, on turnover up slightly at £15.2m, against £14.6m. Losses per share were 2.2p, against earnings of 3p.

Acknowledging that Apollo, during its first half, had reached a low point in its financial fortunes, Mr Leon Angrave, finance director since last March, said: "We're coming out the other side. Things are starting to look a lot better for us."

This is reflected in the decision to maintain the interim dividend at 1.2p. Total payments last year were 3.6p.

For most of the first half, Apollo had to cope with low metal prices and persistent pressure on margins as it acted to hold its market position. But towards the end of the half there was a perceptible change in the market. Demand increased and the producers, after capacity cuts last year, were unable to meet it.

Importantly for Apollo its German subsidiary, whose expansion had been a drain on resources, came into profit during April. But the cost of reorganisation in Germany, which was £234,000 and taken as an exceptional item, wiped out operating profit of £116,000 (£771,000).

Schroder Japan Growth raises £88m from placing

By Bethan Hutton

Schroders' new Japanese investment trust, the Schroder Japan Growth Fund, has so far raised £88m from a placing of shares. Its initial size has been capped at £125m, allowing a maximum of £37m to be raised from a public offer, which opened yesterday and closes on June 30.

The fund, which will invest in a broad range of companies, is to be managed by Mr Ed Merner, the Tokyo-based Japan specialist who already manages Schroders' range of Japanese unit trusts.

Shares are to be issued at 100p, with one warrant attached to every five shares. Issue expenses have been capped at 4.5 per cent.

Ingham at £1.9m and plans car parts growth

Ingham, the York-based motor parts, worsted spinning and property group, reported profits of £1.91m for the year to March 31 on turnover of £25.3m.

The car parts division contributed profits of £1.47m and turnover of £19.2m despite the recession and a move to wholesale sales which cut margins.

The company is seeking to expand the division through acquisitions.

In the previous period, for the 15 months to March 31 1993, group profits were £838,000 on turnover of £11.2m. However, the two companies making up the parts division were not acquired until September 1992 and May 1993.

The company said the spinning company enjoyed a much better year and property was showing signs of improvement.

Earnings per share were 8.2p (8.9p). A proposed final dividend of 3.25p makes a 5p total, against 6p for 15 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

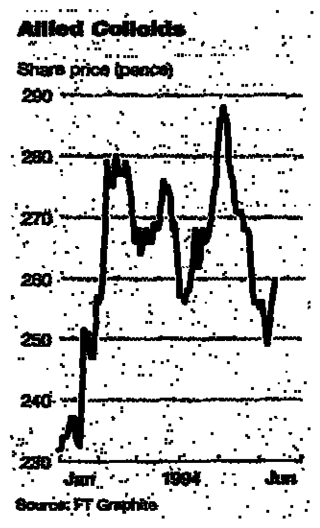
Interims- Bick, Channing, Daily Mail & Gen. Tst., Eldridge Pope, French (T), Greencore, Greenwich Res. Finals- Alphameric, Anglo Utd., Caffyns, Cape, DeeRoad Gold Mining, Doornfontein Gold Mining, Driefontein Cons., Drummond, Electrocomponents, Gartmore Shared Equity, Hambros, Kloof Gold Mining, Melville Street, Meyer Intl., Northern Foods, Racal Elect., Scottish Hydro-Electric, Turnbyke, Waddington.

FUTURE DATES

Interims-	
Electronic Data Process.	Jun. 20
Golden Hope Plantations	Jun. 22
Sothern Business	Jun. 15
Wellcome	Jul. 21
Finals-	
Applied Holographics	Jun. 14
Aztan	Jun. 28
British Steel	Jun. 20
Crane Europe	Jun. 24
Critchley	Jun. 28
EFM Japan Tst	Jul. 14
Falcon Hldgs.	Jun. 28
Halma	Jun. 28
Jarvis	Jun. 13
Manweb	Jun. 20
Unreco	Jun. 13

Allied Colloids ahead after better second half

By Maggie Urry



A "markedly better" second half enabled Allied Colloids, the speciality chemicals group, to increase full year profits by 3.5 per cent from £44.4m to £45.9m, in spite of a 15 per cent drop in interim profits. The group forecast a "better growth in profits" in the current year.

Group margins, which had been depressed in the first half, bounced back. After suffering from adverse exchange rates in the first half, currencies contributed about £3m to £4m in the second, and a further £1m profit came from the group's captive insurance subsidiary, set up after the fire at one group plant in 1992, as no claims were made.

Margins also improved through tighter cost control, higher prices and more stable raw material prices and greater efficiencies, Mr Gordon Senior, finance director, said.

Group sales in the year to April 2 were up 10.8 per cent to £326.8m. Its customers are in a wide range of industries around the world, with many seeing signs of a recovery.

Only in the UK, which accounts for 13 per cent of total sales, were sales not ahead, with the sharpest growth reported from Asia, and "substantial increases" in continental Europe and North America.

The company said all the main product divisions recorded increased sales, with pollution control overtaking paper products as the largest.

Operating profits were 5.4 per cent higher at £46.7m (£44.3m) giving a margin of 14.3 per cent for the year, down from the 1993 figure of 15 per cent, but well up from the first half's 12.1 per cent.

There was a £258,000 loss from the new joint venture with Courtaulds, representing start-up costs, and the net interest charge was £499,000 (credit £124,000). Net debt at the year end was less than £1m, but the charge reflected lower rates on the cash balances of £24.1m while the borrowings are at fixed rates.

A tax rate of 28.8 per cent (33.2 per cent) reflected higher capital expenditure of £26.7m compared to a depreciation charge of £14m, and a tax refund in Germany. The rate is expected to rise to about 30 per cent in the current year.

That left earnings per share up 9.5 per cent to 12.45p, and a proposed final dividend of 3.72p (3.35p) gives a total payment of 4.72p (4.29p) – up 10 per cent.

A one-for-one scrip is planned.

● **COMMENT**

Allied Colloids has long been a favoured stock and was quickly forgiven its interim profit blip. After these figures, forecasts for the current year were being increased with top estimates now up to £57m pre-tax, and the shares rose 11p to 250p. Those numbers depend on another good sales increase and a full year of margins at the level of the second half, which may be a bit much to hope for. However, the high continuing level of capital spending, expected at £35m this year, should keep profits moving ahead in coming years. On more conservative estimates of £54m, the prospective p/e is 18.4. That looks on the high side, but may not stop the shares outperforming in the longer term.

Coal boost fuels Leigh rise

By Peggy Hollinger

Improved profits from coal extraction and lower interest charges helped Leigh Interests, the waste management group, increase pre-tax profits by 4 per cent to £3.9m last year on a similar rise in sales to £113.2m.

The profit rise is the first since 1991, when recession began to hit the operations in the south of England.

It was fuelled by a £1m rise in operating profits to £2.3m in the coal extraction business – the result of the need to dig holes for landfill. Profits were also helped by an 18 per cent fall to £3.4m in interest charges.

The final dividend is held for the third year at 5.37p, for an unchanged total of 7.83p. Earnings were 5 per cent ahead at 10.8p.

Mr Arthur Kent, finance director, said cover would have to be rebuilt before the dividend could be increased. This meant profits would have to recover to 1991's peak of £14.8m.

The cautious policy arises in a year which saw competition and over-capacity in the liquid waste sector hit the group.

Volumes fell by 5 per cent while average prices for treated waste dropped 3 per cent. This trend continued and was also beginning to hit incinerated waste.

Mr Kent said Leigh was tackling the problem by extending its waste treatment processes and cutting costs. About £1m had been cut from on-going costs, he said. Exceptional charges of £700,000 were taken for redundancies and reorganisation.

Offsetting the bad news on liquid waste, Mr Kent said Leigh was confident the marginal improvement in landfill prices would continue.

Leigh said its financial position was secure, as it had agreed a £45m revolving credit facility with a banking consortium. Net debt fell from £50m to £48m, representing 69 per cent of shareholders' funds.

● **COMMENT**

Leigh was one of the first in its sector to feel the bite of recession, but shows no signs of being an early recovery play. The coal businesses is doing better, largely because Leigh is extracting from its own sites rather than British Coal's, but there are no plans for pushing this forward. The waste business now appears to hang on the long-promised draft EU directive forbidding the disposal of liquid waste with solid. When that becomes fact is anyone's guess. Forecasts are for £11.5m, for a prospective p/e of 17. This might appear somewhat over-valued, at least until another bid rumour comes along.

Gander seeks £5m in placing

Gander Holdings, a residential property development and investment company, is raising £5m before expenses, via an issue on a 1-for-4 basis of 71.6m shares at 7p each by way of a placing and open offer.

The company specialises in refurbishing properties in Kensington and Chelsea in London and proceeds of the issue will be used to continue its property acquisition programme.

Since the present management took over in January, Gander has raised £2.7m through a 1-for-2 rights issue and has bought a further six properties for £2.61m.

Mr Oliver Vaughan, chief executive, said the residential market in west London was at a turning point. "There is a window of opportunity to make acquisitions now," he said.

The board believed that the availability of opportunities might have diminished by 1995 as the market continued to improve.

The company's shares trade under Rule 535(2), but it intends to seek a listing in due course. The placing and offer is fully underwritten by Charles Stanley & Company.

A consortium with some political clout

Breakaway union casts its eyes on the British Coal assets. Michael Smith reports

Mr Arthur Scargill must have viewed events at the Union of Democratic Mineworkers in the last year or so with some pleasure.

The president of the National Union of Mineworkers feels the same sort of contempt for the UDM, a breakaway from his union, as he does for the forthcoming privatisation of the coal industry.

So the UDM's early difficulties over the privatisation process will have provided him with a few wry smiles.

Last year it announced it would be bidding for British Coal assets with companies including East Midlands Electricity and Jim Walter Resources, of the US, only to find its prospective partners drop out later.

It must be hoping its latest liaison – with Coal Investments, the mining company led by Mr Malcolm Edwards, a former British Coal director – is more soundly based.

Mr Edwards and the UDM announced last month they had formed a consortium to consider bidding for British Coal assets which are being sold later this year.

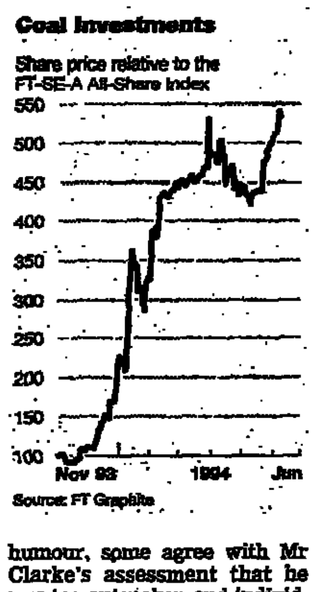
They have applied to NM Rothschild, the merchant bank advising the government on privatisation, to "pre-qualify" to bid in three English regions and are thought to have been successful.

Coal Investments is looking at the possibilities in south Wales alone and in Scotland with another consortium.

For the UDM, the attractions of Coal Investments are obvious enough.

Mr Edwards has his critics, among them Mr Neil Clarke, chairman of British Coal who sacked him as marketing director two years ago after a series of clashes. And although former colleagues at British Coal admire and like Mr Edwards for his intellect and humour, some agree with Mr Clarke's assessment that he was too outspoken and individualistic.

"He had his own agenda and sometimes he did not confide in us what it was," complained one. "He was not a team player."



Others say that as British Coal's commercial director in 1990 he should have negotiated a five year rather than three year deal with the generators but at lower prices.

This would have secured a larger market for the industry, even if only temporarily. Mr Edwards says he would have been in favour of such a deal but that in practical terms it was never on offer.

Whatever the merits of the 1990 deal, few dispute Mr Edwards' enthusiasm for coal and his ability to motivate employees he rates and the investors whose funds are needed to develop the industry.

Since Mr Edwards reversed Coal Investments into Geevor, Britain's oldest quoted mining company, last October, shares in the enlarged company have risen more than sevenfold.

That makes Coal Investments the stock market's best performer in the period; no mean achievement for a company whose main selling point is its plans to reopen up to five pits rejected as unprofitable by British Coal. Only one is so far in full production.

In spite of doubts among other coal companies about potential markets, Mr Edwards says there is no problem selling coal. "I wish I had more," he says. "The market is screaming for it."

However, he is cautious about the possibilities of bidding for the five regional packages which include British Coal's opencast sites and 16 operating collieries.

Mr Edwards believes the five regions may be a riskier investment than the pits he is already operating under leasing and licensing arrangements because of problems over liabilities.

"We need to see what is on offer and if they can be made to work," he says, adding that bids are by no means certain.

The UDM, led by Mr Neil Greatrex, may be more enthusiastic. Although it has kept proportionally far more of its members than the NUM since 1985, it now has less than 4,000 still working, against a peak of more than 26,000. It is seeking a more substantial role.

However, the union has yet to show that it can transform itself from a traditional union to a more business-oriented organisation.

Tony Andrews

Malcolm Edwards: no problem selling coal. "I wish I had more"

Mr Greatrex says that in the new consortium, management decisions would be left to Mr Edwards but adds he would expect UDM directors to have a right of veto on working practice changes. That will raise an eyebrow or two among potential investors.

The UDM does, however, possess an asset in the goodwill of the government. Tory MPs are still conscious of the UDM members' role in helping to defeat the NUM strike of 1984-85. Some, though probably a declining number, believe the party still has a debt to discharge to the UDM.

That perceived debt would give a UDM/Coal Investments consortium some political clout if it entered the bidding fray. In addition the union can tap into funds promised by the government to help employee buy-outs.

Although the Coal Investments/UDM consortium has the option of tendering for the three English regions of British Coal, the chances of it bidding successfully for all of them are remote.

Developing them would involve an outlay of several hundred millions of pounds, including the tender prices.

Mr Edwards may have worked wonders on the stock market but his company is still valued at less than £35m. And with most of its mines yet to produce coal in significant quantities, the company is still largely untested.

In addition, any consortium involving the UDM would have to think long and hard about launching a bid for the central north region where Mr Scargill's NUM is predominant.

The consortium is considered a much more likely bidder for central south, where virtually all miners are members of the UDM.

Previous articles in this series appeared on May 30, June 1, June 2, June 3, and June 7. Further articles will appear later.

TR Property net asset value surges by 46%

By Joan Gray

Strong performances by the smaller property companies, investments in which comprise 60 per cent of its assets helped TR Property Investment Trust achieve a 46 per cent increase in net asset value per share to 41.97p at the March 31 year end.

This compares with a 29 per cent rise in the FT-SE-A Property Index.

The company saw a 25.9 per cent increase in total revenue from £8.48m to £10.7m, including a £1.3m one-off profit on the disposal of a portfolio of development properties in an associated undertaking.

Profit before tax increased by 38.5 per cent from £3.9m to £5.4m, and a low tax charge of £1.34m (£1.19m) helped earnings per share rise 50 per cent to 1.43p (0.95p).

To help rebuild reserves and improve dividend cover an unchanged final of 0.5p is recommended, making a same-again total of 0.9p.

There had been a "strong market in property shares, particularly in the junior companies in which we specialise, as against lower returns from direct property," said Mr Peter Duffy, director.

Consequently, while 29 per cent of the trust's gross assets of £109m were held as direct property at the beginning of the year and the balance in securities, by the year end the direct property component had been reduced to 22.7 per cent of the £156m total.

In April TR bought a £39m property portfolio from Pos-Tel, and the percentage of assets held as direct property has risen to 31 per cent.

It also raised £41m cash through a placing and offer, of which £25m has now been invested, said Mr Duffy, "90 per cent of it in middle-ranking UK property companies which offer the best medium term growth prospects".

NEWS DIGEST

Ross sales to raise over £5m

Ross Group, the consumer electronics and technical services group, is making two sales worth a total of about £5.5m. The moves mark a further focusing on core activities.

Volex Accessories, a Hanson subsidiary, has acquired Traveller International, the travel accessories company, for about £4.15m, including stocks. Ross acquired Traveller, which made 1993 profits of £750,000 on sales of £2.2m, for £700,000 in March 1991.

Ross also plans to sell In-Flight Supply Services (International) to Mr Ross Marks, the founder and an executive director of Ross. He will cease as an executive director becoming a non-executive and consultant.

The consideration will be £225,000 cash on completion, a minimum royalty of £100,000 per annum for five years and a further sales-related payment up to a total of £250,000. Mr Marks will also assume responsibility for the borrowings of In-Flight, currently £350,000.

Turkey Trust net assets nearly halved

Net asset value per share of Turkey Trust, the investment trust dealing mainly on the Istanbul Stock Exchange, dropped to 181.35p, as at April 30 1994, compared with 347.41p a year previous.

For the six months to that date the available figure was a £132,000 loss, against £60,000, equal to 1.34p (0.61p) per share.

DC Cook car sales surge ahead in May

DC Cook Holdings, the motor retail group, announced that its new car sales in May had soared by 52 per cent against the same month last year.

Mr Derek Cook, chairman, said the increase compared very favourably with the overall national increase of 10 per cent in May for new car sales. Used car sales at Cook also showed a sharp increase of 69 per cent.

Management buys Trafalgar offshoot

Trafalgar House, the engineering, property, shipping and hotels group, has sold Morris Mechanical Handling to the company's management for an undisclosed sum.

Equity financing of the transaction of some £12m was provided by CINVen funds and Montagu Private Equity. Banking facilities totalling £23m have been arranged for MMH.

CML moves ahead to £4.55m

Sales of CML Microsystems, the specialised electronic product manufacturer, expanded 20 per cent from £15.7m to £18.8m while pre-tax profits for the year ended March 31 moved ahead 5.6 per cent to £4.55m, compared with £4.81m.

Earnings per share were 15.58p (15.15p), and the dividend is lifted from 4.7p to 6p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08.06.94: Pool purchase price £/MWh	Final Prices for Trading on 11.05.94: Pool purchase price £/MWh	Final Prices for Trading on 11.05.94: Pool selling price £/MWh
0030	15.33	10.95	10.95
0100	11.00	10.98	10.98
0130	10.99	10.98	10.98
0200	10.99	11.00	11.00
0230	10.99	11.00	11.00
0300	10.99	11.00	11.00
0330	10.99	11.00	11.00
0400	10.99	10.95	10.95
0430	10.98	10.95	10.95
0500	10.99	10.95	10.95
0530	10.90	10.95	10.95
0600	11.61	10.90	10.90
0630	11.61	10.95	10.95
0700	21.66	11.28	11.28
0730	23.55	21.37	24.45
0800	23.59	21.15	24.22
0830	24.89	22.71	25.79
0900	25.86	22.72	25.80
0930	28.63	22.73	25.87
1000	26.99	22.73	25.82
1030	28.95	22.73	25.82
1100	27.12	22.73	25.82
1130	28.27	22.74	25.83
1200	36.79	26.30	29.39
1230	36.30	26.30	29.38
1300	37.17	26.28	29.37
1330	26.84	22.21	25.29
1400	25.61	22.21	25.29
1430	25.42	21.41	24.48
1500	26.31	21.47	24.48
1530	26.32	21.41	24.48
1600	25.89	21.41	24.49
1630	37.52	28.61	31.69
1700	32.73	28.62	31.70
1730	37.40	28.61	31.69
1800	36.24	24.72	27.80
1830	25.62	21.14	24.22
1900	23.53	21.37	24.45
1930	23.64	20.03	23.10
2000	23.46	17.73	20.81
2030	23.64	17.73	20.81
2100	34.76	17.73	20.81
2130	34.75	30.53	33.61
2200	34.75	30.53	33.61
2230	34.75	24.70	27.78
2300	21.66	17.14	20.21
2330	21.66	13.00	13.00
2400	21.66	11.26	11.26

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8.30am and 5.15pm Monday to Friday.
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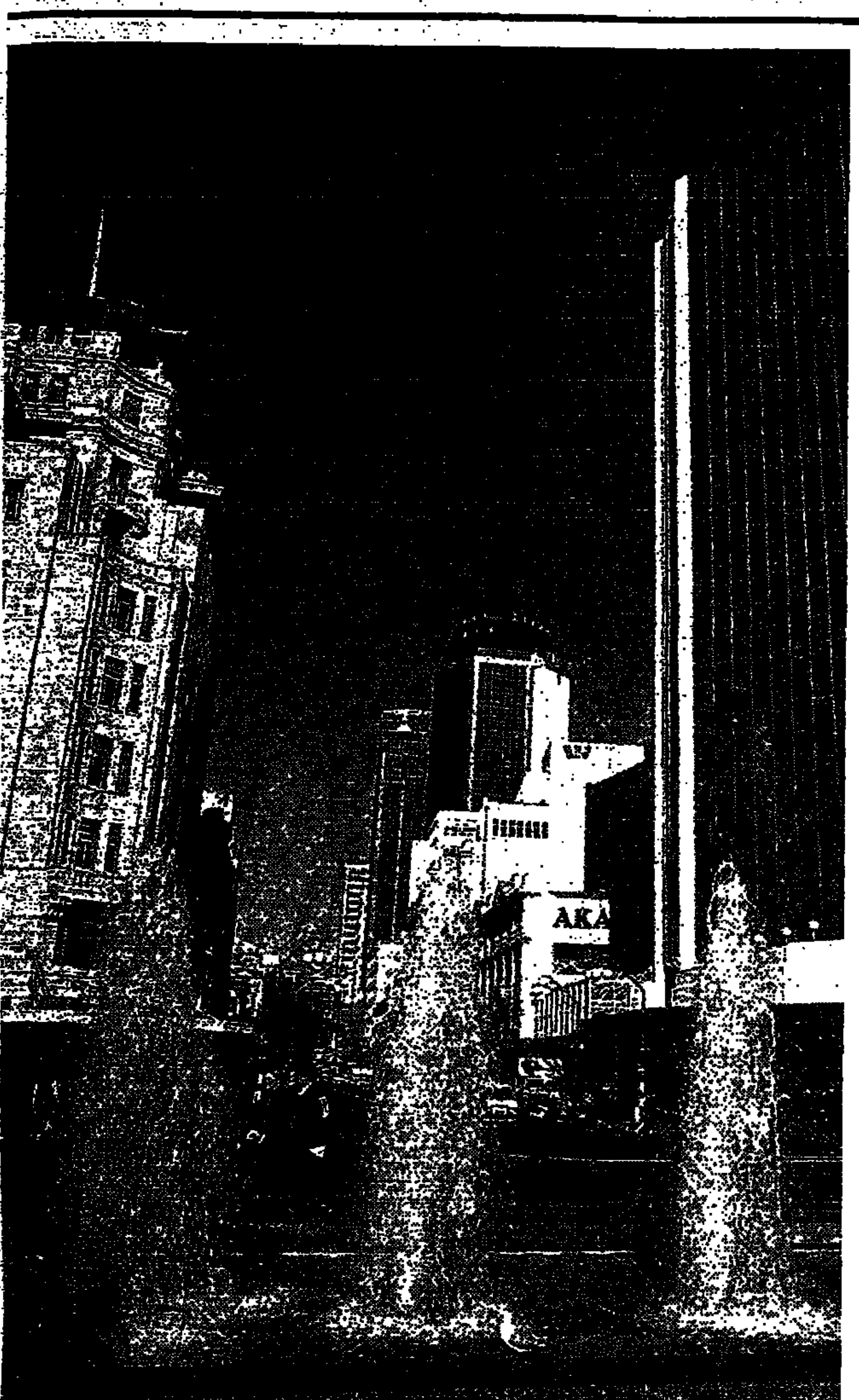
FINANCIAL TIMES SURVEY

NEW ZEALAND

Wednesday June 8 1994



Cities such as Auckland wear the trappings of a successful, market-oriented society Brenn Porter (Tourism Auckland)

Disillusion opens the door to minor parties

Impatience with some aspects of the social overhaul of recent years was a factor in the people's vote to change the electoral system, writes Nikki Tait.

It is hard not to notice the tensions that pervade modern New Zealand. On the one hand, the country wears all the trappings of a successful, market-oriented society. Wellington, Auckland and other main cities are well-supplied with stylish restaurants and smart boutiques. Warehouses are being converted to "Manhattan-style" apartments. Cellular phones are everywhere.

As Mr Roderick Deane, chief executive at NZ Telecom, the country's largest quoted company, puts it: "New Zealand, in a sense, has rejoined the rest of the world over the past decade."

On the other hand, memories of a very different social structure, which offered New Zealanders "cradle-to-grave" protection under a universal welfare system, linger on. It is 10 years since the nation embarked on radical economic reform, first under a Labour government, which deregulated financial markets and began to dismantle the extensive state sector, and then under the National party, which extended the "free market" philosophy to the industrial relations arena and the welfare system.

But the implications of this social overhaul are still permeating the lives of ordinary New Zealanders. As a result, discontent with some of the less palatable aspects of the new order – especially in the welfare and employment areas – is highly visible.

In recent months, for example, attempts to alter work practices have brought a rash of strikes, notably among recent privatisation candidates, such as NZ Rail and NZ Telecom. Pensioners have marched in protest against asset-testing for long-stay hospital patients. Student rebellion has simmered over a threatened increase in tertiary education fees.

On the political front, there has already been a backlash. In a referendum last November, a disillusioned electorate, unable to spot much difference between the policies of the two biggest parties, voted to change the nation's electoral system. Out went the British-style "first past the post" (FPP) method of electing constituency-based MPs to the single-chamber parliament. In, for all future elections, came a "mixed member proportional" (MPP) system, a form of proportional representation modelled loosely on the German system.

(En route, in the accompanying general election held under the existing FPP rules, voters also returned a hung parliament. However, this situation was resolved fairly speedily when a recount in marginal seats gave the ruling National Party a slender majority).

The implications of a vote for MPP were clear. The new system is likely to give minor parties a much greater voice in parliament, and thus encourage coalition government. In addition, because only half the MPs sitting in the enlarged 120-member parliament will represent specific constituencies, with the remainder being drafted in from party lists, MMP will probably mean that politicians' loyalty to the two major parties diminishes.

While the practical adjustments necessary to conduct an MMP election will not be complete until next spring, there are already signs that the number of "serious" minor parties is about proliferate. Going into the November general election, voters had two main choices outside Labour and National: Mr Jim Anderton's Alliance, which is a coalition of five left-leaning minor parties, and New Zealand First, headed by Mr Winston Peters, a former National Party cabinet minister.

Now there is talk of a breakaway centre-left party, possibly headed by Mike Moore, the former Labour party leader. On the right of the political spectrum, some observers suggest that the National party could splinter into about three groupings. The Association of Consumers and Taxpayers, a free-market ginger group formed by Sir Roger Douglas, the former Labour finance minister, could also emerge as a political force.

The big question is whether this fascinating but fluid political situation is likely to have an important bearing on New Zealand's economic policies in the months and years ahead.

At macroeconomic level, there is no decrying New Zealand's recent progress. Growth in gross domestic product reached 4.6 per cent in calender 1993, and many forecasts suggest that the year-on-year figure could top 5 per cent this year. Unemployment, while still high, has eased.

The government is widely tipped to produce a small financial surplus for 1993-4 when it unveils its annual budget in the next few weeks.

On the inflation front, New Zealand now has the advantage of its much-vaunted Reserve Bank Act, which formally insulates the central monetary authority from political influence. It is merely required to ensure that inflation stays within a publicly-stated band, currently zero to 2 per cent.

The international financial community's approval for New Zealand's recent performance has been clear from the foreign investment data. Direct net investment inflow in the year to end-March reached NZ$4.7bn, more than twice the level of the previous 12 months. Anecdotally, there are indications that the country has been winning corporate dollars at the expense of Australia, its larger neighbour, whose own reform process has been much more measured.

ALSO IN THIS 3-PAGE SURVEY

Politics: the people vote for proportional representation
Agriculture: surviving freak storms and a rising Kiwi dollar
Privatisation: it's not as simple as it once appeared
Across the Tasman: rivalry with Australia is less intense
Tourism: economic recovery is bringing in more visitors

It is true that a few question-marks persist. Some commentators would like to see quicker progress in reducing the heavy external debt burden and the current account deficit. The recent collapse of the large Fortex meat-processing business – which had been hailed as a prize example of a revitalised, efficient company – also cast an ominous shadow. It can be argued that this was efficient rationalisation in an industry with surplus capacity; but some observers saw Fortex as a symptom of inherent instability in a key sector, and of serious under-capitalisation.

Many commentators also think the Reserve Bank, whose independence was guaranteed just as worldwide recession began, has yet to face the challenge of maintaining a low price-increase regime when international inflationary conditions are less clement.

But the bigger, and more speculative, clouds that threaten this sunny economic outlook are political. Advocates of the economic reforms scent two specific dangers: a change in Reserve Bank targets, and a big change/repeal of the Employment Contracts Act (ECA), the legislation which deregulated labour markets but was criticised subsequently by the International Labour Organisation in Geneva. Amendments to the latter, it is argued, could dent business confidence immediately and, in the longer-term, affect labour costs and productivity.

On both scores, changes are already being mooted. All three parties, apart from the National, are talking of revisions to the ECA, while Labour has suggested a widening of the Reserve Bank's inflation target range. If changes come, the test may be whether the variations are largely cosmetic, or whether they represent a fundamental shift.

Finally, it is worth noting that Mr Bolger's National government seems to have adopted a less rigid approach since the last election. Much of the reform process had, admittedly, been completed. Nevertheless, in recent months, the government has introduced a minimum youth wage, held off on further state housing rent increases and set up a "taskforce" to look at unemployment issues.

Whether this softer approach, coupled with the general economic recovery, will allay the electorate's concerns remains to be seen. As Anne Knowles, deputy chief executive of the New Zealand Employers Federation, says: "MMP has great potential to be disruptive, or it has great potential to be stabilising – because no one can agree to do anything." New Zealanders can only wait to find out.

Nikki Tait reviews the economy

Business more confident than for 22 years

Taken at face-value, the New Zealand economy is going great guns. Growth is reckoned to have reached 4.6 per cent in 1993, one of the fastest rates clocked up by any western economy – and nicely exceeding the 4 per cent registered by Australia, the country's nearest neighbour and largest trading partner.

Economic activity in the final quarter of 1993 alone was estimated to have been 5.1 per cent higher than in the same three months a year earlier. Most analysts expect some further progress, perhaps taking the year-on-year growth rate to over 5 per cent later in 1994, and then several years of sustainable growth at around 3.5 per cent.

Business confidence, according to the New Zealand Institute of Economic Research, is at its highest since 1972, with a net 64 per cent of companies questioned in the latest April survey expecting an improvement in the general business situation over the next six months.

Even unemployment, a more problematic marker, has shown some improvement recently. It remains painfully high at around 9.1 per cent, but has at least fallen fairly sharply from rates of over 11 per cent seen in early-1992.

Finally, New Zealand has low inflation locked in for the immediate future by the Reserve Bank of New Zealand Act, which guarantees the bank's independence from political machinations, and requires it to administer monetary policy to achieve a specified inflation target – currently from zero to 2 per cent.

While nobody quibbles about this rosy short-term situation, opinions become more divided when pundits are required to look ahead. On the minus side, there are worries stemming from New Zealand's fluid political situation, and from some niggling economic question-marks. On the plus side, there could be some significant bullish factors influencing the economy in the medium term – not least, the consequences flowing from the recent conclusion of the Uruguay Round in the Gatt negotiations late last year.

Most of the pessimists' anxieties centre on the external accounts. A current account deficit of NZ$969m in the final quarter of 1993 took the figure for the calendar year to NZ$1.65bn – some NZ$22m worse than in 1992. This means that the current account deficit is running at around 2 per cent of gross domestic product, a number which the Reserve Bank, for one, thinks will persist for the next few years.

Combined with New Zealand's heavy, lingering net external debt, the lack of speedy improvement on this score causes some concern. Last month, for example, Standard & Poor's decided against an upgrading of New Zealand's "AA-" foreign currency debt rating. "Good news on the growth, unemployment and fiscal fronts does not, of itself, constitute a case for re-rating the country," commented the ratings agency.

"In New Zealand's case, much depends upon progress in improving the country's external accounts beyond the improvement already factored into the current rating... New Zealand's current account deficit and external accounts have only slowly improved in recent years... *Most notably, the* country's net external debt is still currently of the order of 175 per cent of exports, only fractionally down from the 180 per cent figure at the time of the last downgrade [January 1990]."

A second, and much more speculative worry, is the political one. It is impossible to predict that this stage what kind of government the new electoral system, based on a form *of proportional representation*, will produce. But if a coalition government with a more "left-leaning" bent were to come into office, two possible institutional changes could affect New Zealand's inflation record – or, at least, cause financial markets to fear such an impact.

The first would be a repeal of – or major amendments to – the 1991 Employment Contracts Act (ECA), NZ's controversial labour market legislation which opened the way for individual employee contracts, overthrowing the previous centralised, award-based system. The second would be any tinkering with the Reserve Bank *targets*.

At present, it should be stressed, these doubts do not appear to weigh heavily in investors' minds. Although there was some temporary upheaval to both share and bond markets and to the NZ dollar after the November election result, the dust settled quickly. And while some analysts scent a slight upturn in inflationary pressures, which could push the inflation rate closer to the upper end of the 0-2 per cent range, New Zealand's 10-year bond rates are well below those of Australia and roughly in line with those of the US.

Moreover, Mr Donald Brash, the Reserve Bank governor is quick to stress that the Labour party's suggested amendment to the inflation target – from zero to two, to minus one to three – could have a limited effect.

"That quite explicitly leaves the median unchanged, so it isn't obvious that one would run monetary policy very differently," he comments. "If the median of the target remains at one, which our best understanding of what price stability is, allowing for biases in the [consumer prices] index, then the debate about whether its 1 per cent either side of 1, or 2 per cent, is to some extent a debate about what excuses are allowed for in the contract."

By this, he means external price shocks – a hike in energy prices, say – or a temporary domestically-induced increase through a rise in indirect taxes, for example. As Mr Brash points out, "It's a pretty technical argument." But whether the markets would interpret any widening of the target range in such a kindly light, remains to be seen.

Again, with the ECA, it is hard to anticipate the impact of any changes, without seeing details of the alterations proposed. Groups like the New

Continued on next page

KEY FACTS

Area	270,534 sq km
Population	3.5 million (1993 estimate)
Head of state	Queen Elizabeth II, represented by a governor-general
Currency	New Zealand Dollar (NZ$)
Average exchange rate	1993 US$1=NZ$1.8495
	May 26 1994 US$1=NZ$1.6995

ECONOMIC INDICATORS

	1993	Latest*
Total GDP (US$bn)	42.8	n.a.
Real GDP growth (%)	4.6	5.0♣
GDP per capita (US$)	12,306	n.a.
Components of GDP (1992/93 %):		
Private Consumption	61.4	
Total Investment	19.4	
Government Consumption	16.1	n.a.
Exports	30.8	
Imports	-28.6	
Consumer prices (% change pa)	1.3	1.3
Unemployment (% of lab force)	9.2	8.9
Reserves minus gold (US$bn)	3.3	4.1†
3 month money (%,avg)	6.3	5.8‡
FT-A index (% change over year)	+45.5	-2.5**
TRADE:		
Current account balance (US$bn)	-0.65	-0.11
Exports (US$bn)	10.54	n.a.
Imports (US$bn)	8.92	n.a.
Trade balance (US$bn)	1.62	n.a.
Main trading partners (1993, % by value)	Exports	Imports
Australia	19.9	21.3
Japan	14.6	16.2
US	11.6	17.8
UK	6.1	5.8

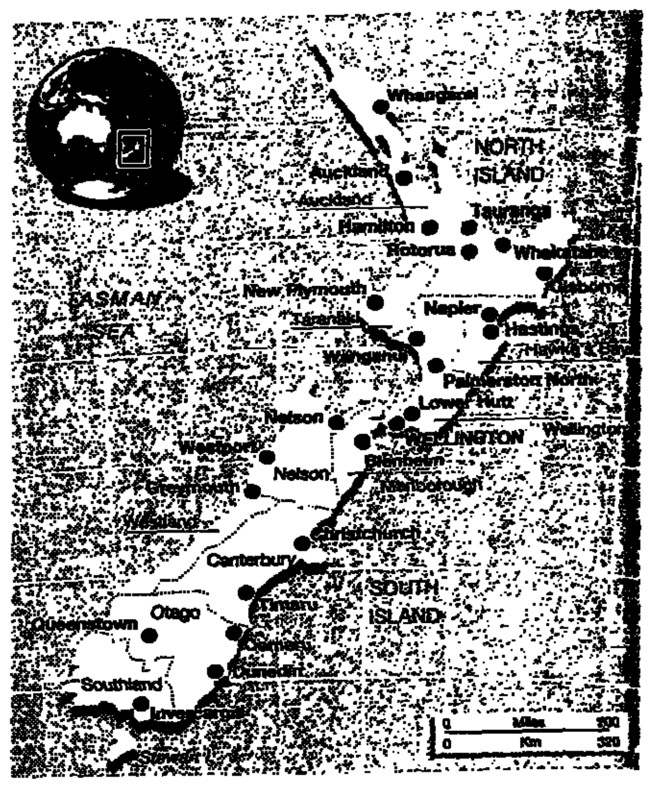
*1994 figures (EIU estimates for 1994)
♣ Reserve Bank of New Zealand forecast.
† February 1994
‡ May 26 1994
** % change from January 1, 1994 to May 26, 1994.

Source: IMF, Datastream, Economist Intelligence Unit

NEW ZEALAND 2

Politics: there will be no more first-past-the post parliamentary elections. **Nikki Tait** considers the implications

Thoughtful calm follows the upheaval



Winds of change are blowing through New Zealand politics. The question is: what sort of landscape will remain when they have died down?

The upheavals began on November 6, when voters not only went to the polls in a general election, but were also asked, via a separate referendum, to choose an electoral system to be used in future elections.

Both results were surprising. The 1993 election returned a hung parliament – at least, until a recount in marginal seats resolved the issue, giving the ruling National party a one-seat majority (turned into a two-seat majority when a Labour MP agreed to act as Speaker).

More fundamentally, however, voters threw out NZ's British-style "first-past-the-post" method of electing members to its single-chamber parliament. Instead, the electorate delivered a clear vote in favour of a "mixed member proportional" system, a form of proportional representation which has parallels with certain European electoral arrangements.

Under MMP, the current 99 seats in the NZ parliament will be enlarged to about 120, but only half of these will be occupied by members representing specific constituencies. Instead, voters will have two votes – one for their constituency MP, and one of their preferred political party. The results of the latter vote will determine how many seats each party has in parliament, with the necessary number of MPs being drafted in from the party lists to ensure that each party's overall parliamentary tally corresponds to this decision.

The vote for MMP was essentially a protest. New Zealand has undergone a decade of profound, and often painful, economic reform at the hands of both its major political parties. The Labour government began the process in the mid-1980s, deregulating financial markets and privatising or corporatising government-owned businesses. National, which swept to power in 1990, continued the process, freeing up labour markets and making major changes to the welfare system.

Going into last November's election, then, many voters saw little to distinguish the policies promulgated by the two parties, and blamed both for the less palatable aspects of the reform process, such as high unemployment, a rising crime rate, visable evidence of poverty on city streets. By choosing MMP, they endorsed a system which seemed more likely to give minor parties a meaningful voice in parliament and encourage coalition government.

For example, the Alliance party, a coalition of left-leaning minor parties, could reasonably expect about 20 seats if it simply repeated its 1993 election performance. It attracted more than 18 per cent of the popular vote, but, under the old FPP system, secured only two parliamentary seats.

But while a decision has been made as to what type of electoral system New Zealand will use in future, the practical implications – such as the redrawing of constituency boundaries and the drafting of party lists – are taking longer to sort out.

As a result, New Zealand's political scene is strangely becalmed. Both Labour and National conducted internal personnel changes in the wake of the last election. In Labour's case, the changes started at the top with the ousting of Mike Moore as party leader, while National shed its hardline finance minister, Ruth Richardson. But since then, while rumours of coalition possibilities and new parties abound, no one seems anxious to rock the boat too violently until a fresh election under the new rules is technically feasible.

The few MMP-related matters resolved to date have rarely escaped controversy. In late-April, for example, the re-registration of Maori voters was completed, but the outcome was to lift the number of Maori seats from four to just five. This contrasted with some expectations of up to 11 seats. Protests from Maori leaders, who claimed that the process had been under-publicised, followed, as did calls for alternative means of achieving more meaningful representation. Ideas range from a Maori parliament or Maori upper house, to the formation of a separate "Aotearoa" party (the Maori name for New Zealand).

The repercussions of the MMP vote do not provide the easiest background against which to govern, and Mr Bolger's National party has been taking an unprovocative, some say conciliatory, tack

The question of how individual parties go about drawing up their lists is less advanced, and none of the main parties has yet settled on a final method of ranking names. But already two are displaying different approaches to the thorny question of whether they should attempt to persuade MPs who will lose their constituencies under MMP to remain within the party fold.

Mr Bolger, prime minister and leader of the National party, earlier this year took the bold step of publicly acknowledging that some defections were likely. "What we are seeing is an inevitable consequence of the role of MMP... There are fewer electorate seats available, and the MPs of the two major parties are going to see whether or not there is somewhere else they could find a position of some sort," he said.

"What we want is... their loyalty in terms of any coalition understanding or any accommodation that they will vote with the government on key issues."

The wisdom of this statement has been much debated: some observers see it as a canny acceptance of the inevitable, and believe that, by allowing defections, Mr Bolger will ease his list problems and yet retain some loyalty when the time for forming coalitions comes around. Others argue that National is adding grist to the minor parties' mill. Mr Bolger's stance contrasts with that of Labour's Helen Clark, who appears more intent on retaining members within the party fold.

The repercussions of the MMP vote, meanwhile, do not provide the easiest background against which to govern – and in general Mr Bolger's National party has been taking an unprovocative, some might say conciliatory, tack. It is true that much of the reform process was already complete on going into the 1993 election, with most of the major privatisations complete, and thorny subjects such as industrial relations law in place.

But National has become somewhat more responsive to voter concerns – introducing a minimum youth wage, for example, and setting up a taskforce to look at the unemployment issue. Controversial further potential privatisations, like NZ Electricity and NZ Post, are also off the agenda.

One remaining bone of contention is the Employment Contracts Act (ECA), the legislation which effectively deregulated the labour market. When the current parliamentary session began last month, Labour, the Alliance and Mr Winston Peters' New Zealand First were all proposing changes – with Labour suggesting that a new employment council should draw up a replacement for the act, and that the ECA be repealed by 1995. However, the government was sticking to its guns, insisting that, if the matter was pushed to a confidence vote, it would win.

Many in the business community clearly hope that New Zealanders' rebellion peaked on November 6, and that, after a couple of years of solid economic growth, the electorate's disquiet will have ebbed. Whether the National party government survives that long is the key question. It is widely accepted that the mechanisms required to hold an MMP election will not be in place before next April or May. Mr Bolger has also indicated that he will seek to govern for the full three-year term, if members of his own party permit him to do so.

But some observers suspect that a showdown, in the form of a vote of confidence, is inevitable before then. "The hot money," suggests one Wellington-based economist, "is on August 1995". By then, it is argued, the MMP processes will be in place, and MPs, anxious to maximise personal positions, will have started to defect from the major parties. Why wait?

The faces to watch, as the country moves to proportional representation

Jim Bolger: prime minister and leader of the conservative National party, which narrowly retained power in the November 1993 election. A practising Catholic and North Island farmer, Bolger has never been a charismatic figure to the electorate. But he won plaudits for a statesmanlike performance on election night, and has demonstrated a speedy grasp of consensus politics. His recent decision to raise the "republic" issue has been more puzzling: opinion polls indicate that the majority of New Zealanders don't favour the introduction an elected "presidential" head of state to replace the Governor-General, appointed by the Queen.

Helen Clark: leader of the main opposition Labour party, who took over from Mike Moore shortly after November's election. A former lecturer in politics at Auckland University, she has the difficult task of articulating a centre-left policy which distinguishes Labour from National, yet eschews the more radical changes promised by the Alliance. Internal party warfare with her predecessor and his supporters does not make the job any easier. Her low popularity ratings have led to talk of further leadership changes – although such gossip has been strongly denied to date.

Mike Moore: The one-time builders' labourer was a member of the Lange government which initiated New Zealand's reforms in the mid-1980s. He became leader of the ruling Labour party in 1990 shortly before the October election, but his popularity failed to save Labour's fortunes then, or in 1993. Moore performed poorly amid November's election night uncertainties, and was soon ousted by Helen Clark. Since then, he has hinted at the formation of a new centre-left party but, for the moment, remains within the Labour party. A passionate speaker, Moore still commands substantial loyalty among the electorate and within his party.

Jim Anderton: A former Labour party president who broke away to form the New Labour party in 1989, and then forged the Alliance, a coalition of five left-leaning minor parties, in 1991. The Alliance won more than 18 per cent of the popular vote in November, but only two seats. The grouping sometimes looks shaky, but Anderton has strong personal support. He has also handled a number of recent issues – such as the collapse of Fortex meat business, a major NZ employer – adroitly. The Alliance, which derives support from traditional Labour voters dissatisfied with the party's centerist leanings, looks likely to be the clear winner from the move to MMP.

Winston Peters: A former National party cabinet minister, Peters split to become an independent MP and then formed New Zealand First in July last year. Its policies going into the 1993 election were not well-detailed, but it is generally pro-business and has a slightly xenophobic tinge – witness Peters' recent urgings for a tougher immigration policy. Often viewed as a maverick but charismatic politician, he has a reputation for revealing alleged scandals under parliamentary privilege. Earlier this year, his attention focused on financial abuses supposedly occuring in the Cook Islands and involving NZ businessmen and international figures.

Sir Roger Douglas: The former finance minister set New Zealand on the path to economic reform, but resigned after differences with the then-prime minister, David Lange. Sir Roger has now left the Labour party and is widely expected to turn his Association of Consumers and Taxpayers, a free-market ginger group, into a political party. The ACT has support from the business community, and is generally in favour of a minimalist approach by government. Douglas recently published *Unfinished Business*, a 300-page dissertation on New Zealand's economic and political situation, suggesting that the reform process has further to go.

Terry Hall sees agriculture benefiting from economic reform

'Few farmers mourn subsidies'

New Zealand's farmers are in a sunny, expansive mood. They have enjoyed the best summer in memory with just the right amount of sun and rain encouraging spirited grass growth. Cattle, sheep and deer are in excellent condition.

But no summer is perfect. A series of freak hailstorms devastated a fifth of the country's apple crop, and more rain than usual caused harvesting difficulties for South Island arable crops such as wheat and barley.

Farming confidence remains high despite a rising Kiwi dollar, which is eroding export earnings. Prices for lamb, sheep, beef and dairy products have all dropped over the past four months, although there has been an encouraging rise in wool incomes.

Farm profitability is expected to rise by 5 per cent this year, mainly due to higher lamb-kill and wool prices. However, historically, returns are low. Rob Davison, chief economist with the Meat and Wool Board's economic service, says that, while farmers' incomes are at the highest level since 1984, they are only two thirds the level recorded in the 1970s and early 1980s.

Those were the years when farmers received generous taxpayer assistance with subsidies for fertiliser and other inputs to encourage production. In 1984, the reformist Labour government wiped these out, leading to seven years of difficulty as farmers were forced to adjust. The most indebted, and those with uneconomic units, were forced to leave their farms.

Mr Davison says that few farmers want to return to the days of subsidies. They prefer the risks of the marketplace, believing it is the only sustainable long-term option. However, he says that all Kiwi farmers wish that other countries would follow the New Zealand lead.

Farmers are also benefiting from other reforms introduced from 1984. Low inflation has led to a sharp reduction in costs, as have falls in interest rates, and fuel and fertiliser costs.

There is optimism that the progressive relaxation of agricultural protection under the Gatt round from next year will eventually lead to greater benefits for local farmers. Most exporters expect a minor improvement in prices from June next year, as a result of Gatt. There is optimism, too, about the long-term trend, given the Uruguay round's commitment to gradually lower agricultural barriers over the coming years.

Sharply rising land prices are also adding to farmer confidence. Investment levels are high, especially from city people, and farms are changing hands at double and treble the price of five years ago.

Market forces have led to rapidly changing land-use patterns. High dairy prices over the past three years have led to a spate of conversions of former sheep and cattle country to dairying. Conversion costs are high, as dairy farms need ample water and related costly plant. Record land prices in the traditional dairy provinces of Taranaki and the Waikato have encouraged many farmers to migrate to areas like Southland and Otago in the deep south, where land is cheaper.

Other land is being converted to forestry, while low venison prices have seen some prime land revert to dairying or horticultural use.

The rate of farm conversion to alternative uses has led to forecasts that suggest that, even if prices improve, New Zealand is unlikely to return to the days when sheep farming was the mainstay of the agricultural industry, as there is no longer suitable land available. Vast tracts of the hilly high country has been converted to forestry, and it takes 25 to 30 years for a tree to reach maturity. Sheep numbers have dropped from 73m in 1984 to 50m today.

Sheep farming is hard work, and modern New Zealand farmers prefer to work their farms on their own. A third of a present day farm may now consist of radiata pine forests which require minimal care. Unlike other farm endeavours, there are taxpayer incentives to encourage forestry.

The rise in wool prices since January has been cheering, as has the steady reduction in the stockpile. This stood at 655,000 bales in 1991 when the Wool Board decided it could no longer support the market. The magnitude of the stockpile initially depressed prices. But it should all have been sold by next year. The stockpile has

Continued on facing page

The economy

Continued from previous page

Zealand Employers' Federation remained firmly opposed to any tinkering with the act, warning of the impact on business confidence. Privately, however, some executives suggest that modest – and probably largely cosmetic – changes now might be acceptable, if this ensured the act's long-term survival.

In contrast to these minus points, there are a couple of potential factors which could play in New Zealand's favour. For a start, there is the apparent strength of the Australian economy – which grew at around 4 per cent in 1993 and is tipped to go higher still. Despite the two countries' traditional rivalry and common desire to develop links with Asia, Australia is still New Zealand's biggest trading partner, accounting for about one-fifth of exports. If Australian consumer spending continues to rebound, and government forecasts of a strong revival in business investment are correct, New Zealand manufacturers stand to benefit.

Finally, the impact of the Gatt talks should not be overlooked. Economists at ANZ Bank in Wellington, for example, have noted that the settlement should underpin agricultural commodity prices over the coming year, and improve market access. While they warn that no simplistic conclusions should be drawn from the GATT deal, and note that much depends on how the details of the agreement pan out, they also point out that almost two-thirds of New Zealand's exports are still agriculture-based.

"Consequently, New Zealand stands to benefit substantially from the successful Gatt outcome," they conclude. "It is suggested that the gains for New Zealand could include increases averaging 17 per cent in the prices our exporters receive for meat and dairy products. Optimistic estimates hint at gains for New Zealand totalling NZ$1.5bn a year in additional export revenues".

Privatisation has proved to be a political liability, writes **Terry Hall**

Unpopular sales prompt caution

Political problems have slowed the National government's plans to sell further state assets, in spite of the philosophical view of most of the cabinet that they should be in private hands.

The government this year stalled speculation that it was preparing New Zealand Post and Electricorp for sale. It said it was honouring pre-election commitments not to sell them. However, intense behind-the-scenes pressure is being applied persuade it to sell other assets, such as state radio and television, the former ministry of works, Workscorp, the government computer services company and parts of the property company Landcorp.

But conservative elements in the government are treading warily, and not all of these sales may happen, because of opposition from other political parties and the approach of the new "mixed member proportional" (MMP) electoral system. Opposition parties are irate that the issue has even arisen, given the "consensus" that is supposed to exist due to the government's narrow majority.

Privatisation has proved a political liability. It was a major factor in the defeat in 1990 of the reformist Labour government, after it had rushed the sale of some NZ$12bn of state assets. On the campaign trail that year, Jim Bolger, the National leader, implied that there would be no further sales. So there was anger in some circles when the Bank of New Zealand was subsequently sold.

Since then, despite the presence of staunch advocates of privatisation in the cabinet, only one other major asset, New Zealand Rail, has been sold. The Bank of New Zealand went to the National Bank of Australia for NZ$1.4bn, and New Zealand Railways to US railway company Wisconsim Central and a consortium of New Zealand investors for NZ$320m.

Both sales proved unpopular with large sections of the public. Small shareholders in the Bank of New Zealand, who had no option but to sell, mounted a spirited protest campaign, saying it was being sold too cheaply. They now say that BNZ's subsequent strong profit recovery and reduction in bad-debt provisioning has proved them right.

There were similar complaints over the sale of the national railway network. Trade unionists – embroiled in a bitter fight over plans by the new US owners to cut staffing levels on the Cook Strait ferries, the vital link between the North and South islands – are making much of the fact that the new owner is introducing American work practices and seeking to cut jobs.

Polls suggest that most voters oppose selling "the family silver", although there is a widespread acknowledgement that it is vital to reduce the country's indebtedness. *Part of the problem is that Labour* used little of the money it raised in paying off debt, in spite of promises to do so. National has been careful to use any money raised in asset sales for debt repayment.

Polls suggest that most voters oppose selling 'the family silver', though there is a widespread acknowledgement that it is vital to reduce the country's indebtedness.

There is also continuing public concern that many assets were sold too cheaply. Telecom, for example, was sold for NZ$4.25bn to US phone companies Bell Atlantic and Ameritech, amid suggestions that it was worth twice that. It has proved a profitable investment for its US controlling shareholders.

Philip Burdon, minister of state owned enterprises, said in May that public disquiet was the major reason why the privatisation programme had slowed. It was the reason why Electricorp and New Zealand Post were not being privatised.

Mr Burdon said he had no philo*sophical objections to the govern*ment's selling the enterprises. "I do not believe that state ownership is an effective form of administration." He said there was public disquiet over the selling of public utilities. However, that did not extend to the sale of other assets such as the government computer company, GCS, which has been put on the market.

Most interest appears to centre on the sale of Television Two, the second state-owned television channel. A number of buyers have indicated their interest, including both major newspaper publishing chains, Independent Newspapers, which is controlled by News Corporation, and Wilson and Horton, publisher of the country's biggest daily, the New Zealand Herald. Television New Zealand is fighting doggedly to retain the ownership.

The 40-strong commercial radio network operated by Radio New Zealand is also expected to be sold. The major problem appears to centre on the future of public radio, the BBC-style network of the Concert Programme and national services broadcasting. The systems are linked, sharing news and current affairs staffs.

The government is expected shortly to offer some NZ$2bn of low-interest mortgages owned by the Housing Corporation. Earlier it sold NZ$500m-worth to a consortium led by merchant bank Fay Richwhite.

Maurice Williamson, one of the leading reformers in the cabinet, has been lobbying hard for the sale of the three major airports, in Auckland, Wellington and Christchurch, but has won no public support from his colleagues.

The most imminent sale is that of the computer company, GCS. This runs a major installation at Wanganui, in the North Island, which centralises all police files and other confidential information on individuals. The government says that GCS will not be sold until a code of practice protecting confidential information is in place.

The minister of finance, Bill Birch, said last month that there would be no fire sales, and that assets would be sold only when the government was confident of getting the best prices. "But we do have a list of businesses for possible sale, which we consider are no longer appropriate for the government to own in today's environment."

Supporters of privatisation look bleakly at the future. They feel that this is the last chance to sell many of the remaining state assets. It is believed New Zealand will have minority governments under the MMP political system; and this, they say, would tie the hands of any minister of finance who might wish to sell any of the NZ$2bn of assets that have been prepared for sale.

Trade has spurred reciprocal investment flows with Australia

The Tasman looks narrower

Recent trading successes, and indications of political goodwill, appear to be breaking down the often intense and historic rivalry between New Zealand and its resource-rich neighbour Australia.

Australians are showing increasing interest in the economic reform programme in New Zealand, although it is acknowledged that political realities make it unlikely that some of the tax and labour regulations will find their way into law there. Investment flows between the countries are growing rapidly, spurred by the trade pact, Closer Economic Relations (CER).

Signed in 1982, CER has been of increasing importance to New Zealand. For decades Australia, with Britain, was the major supplier of manufactured goods. These traditionally ran two-to-one in Australia's favour, but today it is in balance, with each country increasing its exports to the other by 12 per cent last year.

New Zealanders are pressing Australia to further develop the agreement and move towards a fuller integration of the two economies. But there was disappointment in May, when some Australian officials argued that "CER has gone about as far as it can." The Australians refuse to examine issues such as harmonising taxation, matching manufacturing standards, and freeing up mutual investment options.

After initial rapid progress, aviation reform also appears to have stalled. The agreement has allowed Air New Zealand to establish a "hub" in Brisbane, to service the Asian market. This has proved of immense benefit to the airline and created thousands of jobs in Queensland as Asian holidaymakers flock in.

However, Australians have been slow to use the "beyond rights" that they gained to New Zealand in the reciprocal aviation deal. New Zealand is anxious to see Ansett flying the Tasman Sea between the two countries.

Both countries seem to be ignoring one of the most delicate issues: rules of origin. New Zealand manufacturers operate in a largely tariff-free environment, and can buy raw materials, such as plastic, cheaply on the world market. However, Australia retains import protection for its own manufacturing goods. This situation appears to benefit New Zealand manufacturers in selling to Australia, as it keeps up the price of Australian inputs.

Rowland Crone, president of the New Zealand Manufacturers' Federation, says action on these issues is a priority and would further strengthen CER trade and economic ties. Behind Mr Crone's concern are statements by the Australian prime minister, Paul Keating, who, in a visit to Thailand last month, spoke of extending CER to the six Asean nations.

New Zealand officials are also keen to see freer trade between the two blocs. However, Mr Crone argues that to compete equably with the dynamic Asean countries, New Zealand and Australia must settle the remaining outstanding issues between them over CER.

Political differences became intense in the mid-1980s, over defence, highlighted by New Zealand's withdrawal from ANZUS, the pact with Australia and the US. Since last year, relations have improved, following a state visit to New Zealand by Mr Keating, who appears to have developed an excellent relationship with the New Zealand prime minister, Jim Bolger.

In many areas, apart from trade, the ties are growing steadily stronger. Defence links appear to have improved, and there is close liaison on police and crime matters.

However, the Australians continue to keep a close eye on New Zealand. There were grumbles in New Zealand after Australia's April budget: many people complained that it contained a tax incentive measure that was expressly aimed at encouraging companies to base their head offices and manufacturing facilities in Australia rather than New Zealand.

This followed moves to New Zealand by a string of companies, to take advantage of the lower tax, cost and wage structure. A major attraction was the Employment Contracts Act, which has introduced greater flexibility in wage bargaining but is labelled an anti-union measure in Australia.

Among companies moving to New Zealand, or expanding there, were Gillette, Unilever, Johnson & Johnson and Alcatel, which supplies wiring systems for the Australian car industry. All use New Zealand as a base to supply Australia and Asia.

A recent study by Trust Bank found that major companies were coming to New Zealand because of its low inflation. It found that costs were being held as industry developed flexibility, and said productivity of New Zealand industry had risen by 28 per cent in the five years to last December, using no more staff or overtime hours.

A number of New Zealand companies are expanding in Australia. They include Pacific Star, a subsidiary of Telecom New Zealand, which is a major supplier to telecommunications equipment to the Queensland government and larger companies; and the white-goods manufacturer Fisher and Paykel, which has built a large plant in Queensland.

The growth of sales to Australia has been a factor in the surge of optimism seen recently among New Zealand manufacturers. Business confidence is at its highest level for two decades, and the Manufacturers' Federation believes economic growth could touch 6 per cent by June, after years of running between zero and 2 per cent a year.

In the year to December 31, the strengthening New Zealand economy led to the creation of 42,000 jobs, of which 23,000 were fulltime positions in manufacturing. Many more were created in allied industries that service the manufacturing sector. The Statistics Department reported in March that employment in the manufacturing sector was up 3.7 per cent.

The strength in manufacturing is spreading through the economy, and the extra jobs and spending power is seen as a significant reason for the budget surplus that is expected this financial year.

Yet all is not going New Zealand's way. Australia, for example, is winning the trade war on the food front, where it appears to offer cheaper canned and frozen processed items. Against this, New Zealanders have done well in light engineering and steel and aluminium fabrication.

Gilbert Petersen, of the Manufacturers' Federation, says that, while there is a feeling of confidence in the sector, there is no great sense of security, with the knowledge that the Australians "could run rings around us if they wanted to", because their larger population leads to economies of scale.

It is widely believed that any advantages New Zealand manufacturers have gained are due to efficiencies learned the hard way, through surviving a protracted and deep recession. They will battle to keep them, and make the best possible use of the CER pact.

Terry Hall

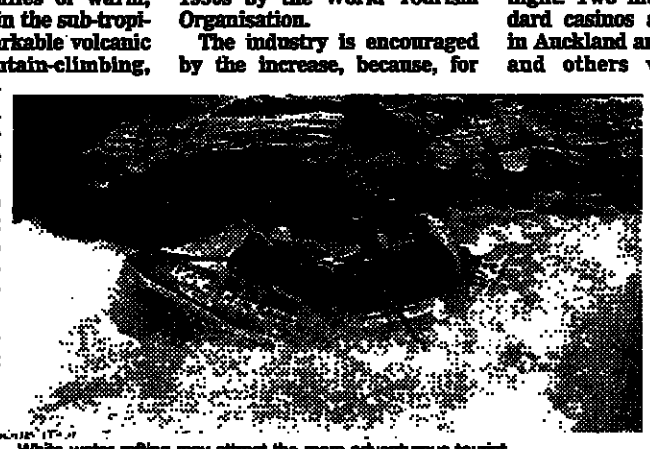
Improved air links are helping tourism to take off

Asia discovers the south

After many false starts, New Zealand's tourist industry believes it has a winning formula – a view reinforced by the rapidly rising number of visitors.

Even 150 years ago, settlers from Europe spotted the country's leisure potential. One relatively small country seemed to offer just about everything: hundreds of miles of warm, sandy beaches in the sub-tropical north, remarkable volcanic geysers, mountain-climbing, skiing, wilderness bush walks, ample fish and game hunting.

From the 1870s, tourist hotels began to appear in the most popular destinations, and later the government added its support.


White-water rafting may attract the more adventurous tourist

Visitor numbers ebbed and flowed, distance always being a problem. Initially, only wealthy tourists from the US and Europe had the time for long sea voyages. Closer to home, as air links developed, Australians might enjoy visiting New Zealand, three hours away, for an annual skiing holiday.

Now, mass air travel is changing perceptions. New Zealand is today served by 24 international airlines that link it to most parts of the world. Tourist numbers are climbing, helped by the economic recovery. Between January and March, 400,000 visitors arrived, 17 per cent more than in the same period of last year.

March alone saw a 21 per cent increase (to 139,000) over the same month last year. Visitors from the UK represented the strongest growth (up 26 per cent), followed by the Netherlands (up 22 per cent). In the year to March 31, visitor numbers grew by 12 per cent, to 1,213,318, the strongest growth this decade.

Norman Geary, chairman of the New Zealand Tourism Board, says the recovery has been startling. Between 1988 and 1991, annual arrivals had risen by an average of 3.8 per cent, compared with the world average growth rate of 5.2 per cent. But since 1992 visitor numbers have been growing by an average 10 per cent a year, substantially ahead of the world's average growth of 3.8 per cent projected for the 1990s by the World Tourism Organisation.

The industry is encouraged by the increase, because, for much of the period, most of the countries from which visitors came – Australia, North America, Britain, Japan and Germany – were coping with recession. Mr Geary is confident that the industry's goal of 3m tourists a year by 2000 will be met.

Its strategy is one of sustained promotion in target countries, and a reasonable level of government support. Assisting the drive are independent operators, including Air New Zealand, which has extended its services to much of Asia during the past 18 months.

The South Korean market has developed strongly. Koreans' interest in New Zealand is high, because they have become one of the largest migrant groups; and in the year to March, 40,000 visited, compared with a few hundred in 1990.

Taiwanese numbers have also risen. Nearly 50,000 visited New Zealand in the year to March, up from 10,000 in 1991. The recession in Japan has impeded growth, although numbers have continued to climb (145,000 in the same period, compared with 100,000 a year earlier).

Numbers like these are forcing New Zealand to improve facilities. One regular complaint from Asian tourists is that, while there is plenty to do during the day, there are insufficient attractions at night. Two international-standard casinos are being built, in Auckland and Christchurch, and others will follow in major towns. Relaxed migration policies, which open the door to anyone who meets the criteria, have led to the opening of hundreds of ethnic restaurants and night clubs.

However, Mr Geary acknowledges that much still needs to be done. More hotels must be built, involving substantial investment. Asian developers, especially from Singapore and Hong Kong, have invested heavily in the sector during the past three years, but have concentrated on buying existing hotels.

Despite new labour laws, which have substantially cut wage bills, profitability remains low in the hotel industry. Mr Geary and others fear that, unless new hotels are built in Christchurch, Auckland and the major destination of Queenstown, tourist numbers will not increase – already it is often difficult to get a room.

Mr Geary believes improved profitability is essential if the industry's potential is to be maximised. He says government support is vital, and points out that foreign exchange earnings from visitors is 21 per cent ahead of 1991 levels, and that the industry is a major employer of labour.

Terry Hall

Farmers' season of optimism

Continued from facing page

fallen to 130,000 bales.

The wool season began last July with low demand and prices averaging around NZ$3.75 a kilo. However, prices have risen by around NZ$1 since February, helped by stronger demand from Britain, which has emerged as the second biggest buyer. The UK increased its purchases by 41 per cent in the nine months to March.

China and Hong Kong remain the biggest buyers, using New Zealand wools in a range of products from hand knitting to tufted carpet.

In recent weeks, lamb prices have fallen in Europe, the main market. This has caused some concern to exporters as prices had been unusually buoyant for the previous 18 months. There is optimism that consumption will recover towards the end of the year.

Beef exporters have continued to struggle with protectionist measures in the major markets, Canada and the US, over the past year. However, some newer markets were developed in Asia, notably Korea, as well as in Mexico.

The strong New Zealand dollar, and intense competition from Europe and Australia on world markets, has depressed returns from dairying. The industry is confident that prices will improve markedly over the coming months. Even so, farmers are expected to receive a payout of NZ$2.85 a kilo of milkfat this season, 45 cents lower than last.

A series of freak hailstorms – none of which lasted more than a few minutes – destroyed the hopes and incomes of many apple-growers. Thanks to the warm summer, the fruit was in the best condition for many years. After the buoyant prices of 1992, world prices remain low, although the New Zealand Apple and Pear Board is proud that Kiwi apples still fetch a premium on major markets.

The kiwifruit industry is recovering from the massive losses it incurred in 1992. Production is down sharply, and quality up, leading to hopes that there will be good markets for the fruit overseas.

COMMODITIES AND AGRICULTURE

China takes over from Japan as top wool buyer

By Tony Walker in Beijing

China emerged in 1993 as the world's top customer for raw wool for the first time, overtaking Japan, according to an International Wool Secretariat study.

China's wool use last year accounted for about 20 per cent of world production, and this is set to reach 25 per cent by the year 2000 at the present rate of growth.

"Total wool use has increased a remarkable 2.75 times since 1980 when it accounted for only 7 per cent of global wool production," the study said.

About two-thirds of wool used in China is imported, with Australian supplies accounting for half of total imports. New Zealand weighs in with about 25 per cent and Uruguay 10 per cent. South Africa, the other IWS member, supplies a relatively small amount.

In 1992, imports of raw wool and tops reached a value of US$764m and 65 to 70 per cent was consumed within the domestic market. Semi-processed and finished wool textile products earned China about US$1.3bn in 1992.

"Raw wool and top imports into China could well increase by nearly 60 per cent from 1992 to 2000, accounting for up to one-third of Australian and New Zealand wool production by 2000," the study said.

The study found that "Greater China" – including China, Hong Kong and Macau – had become the fastest growing market for IWS members over the past decade. Australian exports as a percentage of total wool exports had almost trebled in that period.

But the study, prepared by the UK-based Wool Development International, warned that China's market was liable to sharp fluctuations caused by sudden changes in economic policy. In 1989-90, China's withdrawal from the market had contributed to the rapid rise in raw wool stocks in producing countries.

"With further promised economic liberalisation, rising foreign investment, increased consumer affluence and possible Gatt membership, China has the potential to continue as the fastest growing market for wool textiles and clothing in the world," the study concluded.

"At the same time given its recent history of stop-go economic cycles, wool price sensitivity, and political uncertainty, it could be the most volatile and unpredictable market."

The IWS is sponsored by Australia, New Zealand, South Africa and Uruguay. The organisation became active in the Chinese wool market in the early 1980s and is involved in assisting China to upgrade its wool processing.

Australian growers emerging from the gloom

Nikki Tait on a marked turnabout over the past six months in the sector's fortunes

Next month, Wool International, the newly-constituted keeper of Australia's vast wool stockpile, will begin a fixed monthly schedule of sales in an effort to pare back the stocks. The regular sales programme, involving 28,000 bales a month at the outset, has been stipulated by law – the same federal legislation that set up the government-owned body at the end of last year.

A year ago, the prospect of a steady supply dripping on to the market would have sent shudders down any Australian wool-grower's spine. Indeed, it is only 16 months since Mr Wayne Goss, Queensland's premier, suggested that the stockpile's 3.96m bales should be burnt, to remove the supply overhang and save storage costs.

Today, however, the industry's attitude can only be described as relaxed. "It's fundamental that the stockpile is sold and debt paid down," says the Wool Council of Australia, the main growers' organisation, adding that it supports the open, orderly process. Mr Bob Quirk, head of the Australian Council of Wool Exporters, also predicts that regular stockpile sales should not prove disruptive.

This sudden sang-froid owes much to a marked turnabout over the past six months in the fortunes of Australia's wool industry, one of the nation's biggest export earners and the source of about 30 per cent of the world's wool production.

On April 28 1993, the sector hit rock-bottom. The local market indicator price plunged to 381 cents a kilogram, clean, the lowest level seen this century.

Today's improved prices allow Australian wool growers to survive, but leave insufficient margin to fund the backlog of investment and renovation work left by recent losses

Yet by the end of last week, the same marker had recovered to around 625 cents. While this may be only half the level seen in the headiest days of the late-1980s, prices above the 600 cents-mark seemed way beyond many growers' dreams last year.

The sea-change has come about for two main reasons. The first is the recovery, or anticipated recovery, in Australia's traditional export markets. The biggest buyers of Australian wool include a number of western European countries – notably France, Italy and Germany – along with two Asian customers, Japan and Korea. For the most part, their economies are either on the mend, or thought likely to be improving by the end of 1994. "There's been a quite sustained level of demand from all the traditional markets," says Mr Quirk. "We've seen considerable demand from western Europe, including Germany, and Japan. There is a growing degree of confidence".

At the same time, he suggests, China's new role as the biggest overseas buyer of Australian wool is moving on to a firmer footing. Even in the industry's gloomiest moments, this was a ray of light, with the country taking around 21 per cent of Australian wool exports in 1992-93. But Mr Quirk suggests that one of the most encouraging features is that an increasing amount of Chinese-purchased wool is being retained for domestic use (rather than re-export). He puts the retained figure at 70 to 80 per cent, up from perhaps 30 per cent in the past.

In the meantime, grower supply has also contracted, and stocks in the wool processing pipeline are thought to have declined. According to the Australian Bureau of Agriculture and Resource Economics, the number of sheep shorn in 1993-94 is likely to fall by 5 per cent or so, to about 169m, and then ease back to 165m in 1994-95.

All these developments have made Wool International's job considerably easier. The stockpile built up under the industry's previous guaranteed pricing structure, and was originally the responsibility of the now-defunct Australian Wool Realisation Commission. Wool International, the brainchild of Professor Ross Garnaut at Australian National University, whose recommendations on the restructuring of Australia's wool industry were adopted wholesale by the federal government last year, took it over at the beginning of December.

The new institution, which is scheduled to be privatised by 1997, has been charged with selling 28,000 bales a month during the latter half of 1994, and then 187,000 bales a quarter in 1995.

But, already, it has more than tested the waters. In March, April and May, its sales averaged about 40,000 bales a month, well ahead of the stipulated levels (which permit only small "tolerances" on either side). As a result, by the end of last month, the stockpile had reduced to under 3.69m bales. In large part, the fact that WI has already been pushing out stockpile sales in excess of its proscribed post-June monthly targets explains the relaxed attitudes to its impending permanent market presence.

Perhaps the biggest remaining question is whether China will remain in the market in such a substantial fashion, given the recent rise in prices. At least some observers predict that prices will ease back in the second half of 1994, but should then resume a steady climb next year.

Still, if an air of stability has finally returned to the beleaguered industry, Australia's 65,000 growers are not cheering yet.

At prices of about 600 cents a kilogram, they say that it is possible to survive. But, after the horrendous conditions of the past three years, there is a backlog of investment and renovation work to be done and current price levels still provide little margin.

And already, the federal government is whipping away some of the emergency financial aid – in the form of interest subsidies and the like – that it introduced in the industry's darkest hours last year. That move, says the WCA, is "premature".

More transparency urged for London bullion market

By David Blackwell

The London bullion market should become more transparent if it does not want to lose ground to New York, the Financial Times World Gold Conference was told in London yesterday.

Mr James Riley, a partner with J. Aron & Company/Goldman, Sachs & Co, said failure to make the market more open would ensure that New York, where Comex trades gold futures, would "remain the home to gold price transparency".

While the London fix provided the benchmark for physical gold, "no-one knows the turnover on a fix".

Mr Riley also predicted a rise in the gold price to $414 a troy ounce this year as gold began to be treated once more as a long-term asset, rather than as a commodity. He cited a report that Fidelity, a leading US fund, had 4 per cent of its assets in commodities.

Mr Victor von Klemperer, senior manager with Dresdner Bank, suggested that the Bundesbank, which holds almost 3,000 tonnes of gold, was looking seriously at mobilising some of its reserves following the budget deficit pressures "brought on by the horrendous costs of reunification".

"This topic will obviously gain in actuality in a year when they don't have a DM18bn surplus to transfer to the finance ministry," he told the conference.

Mr Norbert Schroff, a senior precious metals manager at Credit Suisse, said Zurich was the premier physical gold market. In the past 10 years it had imported an average of between 1,200 and 1,400 tonnes, and exported between 1,000 and 1,200 tonnes.

The level of imports was equivalent to 70 per cent of western mine production and 40 per cent of total world supplies. "It is clear from these figures that Zurich is holding its own not only as the centre of gold trade in Switzerland, but also as the world's principal trading arena for physical gold," he said.

Mr Timothy Green, chief consultant with Gold Fields Mineral Services, said that physical demand for gold in the Middle East and India had accepted the higher trading range of around $380 an ounce more quickly than expected.

"I happened to be in Jeddah earlier this year when the price slipped momentarily to $375. Jeddah ran out of physical gold that day as people covered unfixed positions. And from then on I was much less concerned about the downside risk of the price."

Mr Robert Ashley, director and head of treasury at Rothschild Australia, said that although Chinese gold consumption was down last year by about 30 tonnes, its consumption of 325 tonnes made it the second biggest consumer behind the US.

He pointed out that prosperity continued to increase, with Chinese bank savings passing US$100bn. There were about 800m farmers who had not yet bought gold.

With inflation at 22 per cent and the political uncertainty that would attend the post-Deng Xiao Ping era, gold would benefit from its status as a reliable store of wealth.

"In the 1920s and 1930s Shanghai was the third largest gold market behind London and New York," he said.

"The influence of China in the market in 1993 demonstrated that it is regaining lost ground."

Mr Yuri Mityuk, head of treasury at the Bank for Foreign Trade of the Russian Federation, said the Russian gold mining industry was expected to produce 150 to 155 tonnes this year, compared with 149.5 tonnes in 1993. This could be considered a sign that the bottom in Russian production had been reached.

He said the Russian finance ministry was eager to help the industry and suggested that cuts in both the number and level of both federal and local taxes would promote new investment and increase efficiency.

MARKET REPORT

Copper leads LME base metals rally

COPPER led other base metals contracts higher in late trading at the London Metal Exchange yesterday.

After dipping to $2,233 a tonne early in the day the three months position closed the afternoon ring at $2,270, up $38 on balance. But as investment fund buyers became active again in New York the LME price moved still higher in after hour trading, topping $2,300.

The three months ALUMINIUM price consolidated morning gains to close at $1,373.25 a tonne, up $9.75. And it added a few dollars more after hours.

At the London Commodity Exchange September delivery COFFEE futures recovered from a morning fall to $1,985 a tonne to close at $2,024, still $4 in arrears.

"It's not so much selling pressure as a lack of active buying that is keeping the market down," said one trader. "It's really very quiet, the market is trying to consolidate."

Compiled from Reuter

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	-2,325	to 2,653,425
Aluminium alloy	-500	to 31,920
Copper	-3,700	to 379,050
Lead	+3,850	to 356,425
Nickel	-762	to 131,940
Zinc	+9,250	to 1,188,425
Tin	+35	to 29,540

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1343.5-44.5	1373-73.5
Previous	1334-35	1363-64
High/low	1340/1339.5	1377/1364
AM Official	1339.5-40.0	1369-69.5
Kerb close		1375-76
Open int.	258,043	
Total daily turnover	35,684	

ALUMINIUM ALLOY ($ per tonne)

Close	1362-65	1380-85
Previous	1345-55	1355-60
High/low		1365/1360
AM Official	1365-70	1368-63
Kerb close		1380-70
Open int.	3,367	
Total daily turnover	621	

LEAD ($ per tonne)

Close	499-99.5	516-17
Previous	499.5-500.5	517-18
High/low		518/512
AM Official	498.5-99	515-15.5
Kerb close		517-8
Open int.	36,341	
Total daily turnover	6,830	

NICKEL ($ per tonne)

Close	6210-20	6300-10
Previous	6170-80	6265-70
High/low		6350/6250
AM Official	6150-55	6240-42
Kerb close		6335-40
Open int.	56,460	
Total daily turnover	8,878	

TIN ($ per tonne)

Close	5515-25	5595-600
Previous	5475-85	5550-60
High/low	5492	5600/5500
AM Official	5492-95	5570-75
Kerb close		5620-30
Open int.	18,203	
Total daily turnover	5,103	

ZINC, special high grade ($ per tonne)

Close	950-51	975-76
Previous	949.5-50.5	975-6
High/low	947	977/970
AM Official	946.5-47.5	972.5-73.0
Kerb close		976-77
Open int.	105,097	
Total daily turnover	15,319	

COPPER, grade A ($ per tonne)

Close	2259-61	2270-71
Previous	2234-35	2242-43
High/low	2234	2291/2235
AM Official	2234-35	2246-47
Kerb close		2288-89
Open int.	205,849	
Total daily turnover	46,731	

LME AM Official £/$ rate: 1.5050
LME Closing £/$ rate: 1.5085
Spot:1.5073 3 mths:1.5056 6 mths:1.5041 9 mths:1.5027

HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Jun	108.45	+4.75	108.70	102.10	1,000	165
Jul	108.80	+4.85	107.00	102.30	35,285	3,276
Aug	108.70	+4.85	-	-	469	3
Sep	108.80	+4.75	107.00	102.20	10,622	1,419
Oct	108.10	+4.60	-	-	272	45
Nov	108.80	+4.45	-	-	202	-
Total					58,881	7,573

PRECIOUS METALS

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	380.40-380.80	
Opening	379.80-380.20	
Morning fix	380.50	252.740
Afternoon fix	380.50	252.488
Day's High	381.50-381.90	
Day's Low	380.20-380.60	
Previous close	378.60-379.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.98	6 months	4.37
2 months	4.04	12 months	4.82
3 months	4.10		

Silver Fix	p/troy oz.	US cts equiv.
Spot	350.60	529.00
3 months	355.95	533.75
6 months	359.15	539.55
1 year	371.70	556.90

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	256-259
Maple Leaf	391.35-393.70	-
New Sovereign	89-92	59-62

Precious Metals continued

GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	381.1	+0.7	382.5	380.0	1,746	854
Jul	382.1	+0.7	-	-	1	-
Aug	383.5	+0.8	385.2	382.1	71,267	31,412
Oct	386.5	+0.8	388.8	385.8	5,403	44
Dec	389.7	+0.8	389.9	385.8	24,336	730
Feb	393.1	+0.8	-	-	5,715	16
Total					138,077	38,559

PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	398.2	+1.0	400.5	398.0	14,819	1,521
Oct	400.0	+0.9	402.0	400.0	6,185	464
Jan	402.1	+0.9	403.5	402.1	1,114	44
Apr	404.1	+0.9	405.5	404.2	1,057	160
Total					21,896	2,189

PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	135.30	+0.75	135.75	135.30	115	2
Sep	134.30	+0.45	135.00	134.25	3,272	182
Dec	134.75	+0.45	135.25	134.75	744	-
Mar	134.75	+0.45	-	-	6	-
Total					4,136	184

SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	528.8	+4.0	-	-	7	11
Jul	530.2	+4.0	536.5	528.5	78,808	19,931
Aug	533.1	+4.0	-	-	-	-
Sep	534.8	+4.0	541.0	534.0	14,822	2,038
Dec	542.1	+3.9	548.0	540.5	18,476	1,211
Jan	543.8	+3.9	-	-	32	-
Total					128,189	23,282

ENERGY

CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	17.81	-0.30	18.18	17.78	102,229	38,160
Aug	17.45	-0.24	17.75	17.42	76,582	18,917
Sep	17.29	-0.22	17.55	17.25	38,474	5,108
Oct	17.20	-0.20	17.37	17.18	25,846	2,207
Nov	17.13	-0.21	17.34	17.13	18,964	1,291
Dec	17.09	-0.22	17.28	17.08	31,032	3,469
Total					423,238	74,285

CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	16.02	-0.23	16.37	15.95	38,670	19,996
Sep	15.86	-0.21	16.29	15.82	41,184	8,380
Oct	15.86	-0.19	16.23	15.83	15,993	3,092
Nov	16.00	-0.03	16.11	16.00	6,625	435
Dec	15.82	-0.18	16.10	15.79	3,479	357
Jan	15.81	-0.21	15.95	16.08	5,844	329
Total					141,821	24,189

HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	46.90	-0.66	47.75	46.80	40,694	17,962
Aug	47.60	-0.61	48.35	47.55	17,403	8,533
Sep	48.60	-0.56	49.10	48.50	12,187	1,639
Oct	49.55	-0.56	50.20	49.50	7,311	375
Nov	50.50	-0.51	50.95	50.40	5,702	501
Dec	51.45	-0.41	51.95	51.30	14,316	2,541
Total					121,831	30,658

GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	146.50	-3.00	150.25	146.75	17,374	5,095
Jul	147.75	-2.75	151.50	147.75	25,998	7,764
Aug	149.75	-2.50	153.00	149.75	9,815	2,581
Sep	152.00	-2.25	154.75	152.00	6,619	725
Oct	154.75	-2.25	157.50	154.75	6,681	673
Nov	156.75	-2.00	159.25	156.75	4,577	607
Total					91,735	19,595

NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	2.018	+0.048	2.020	1.965	24,211	6,024
Aug	2.056	+0.034	2.100	2.075	13,767	2,592
Sep	2.130	+0.021	2.135	2.115	12,271	1,551
Oct	2.175	+0.018	2.180	2.165	9,714	426
Nov	2.259	+0.010	2.250	2.240	10,988	447
Dec	2.334	+0.010	2.354	2.350	14,585	481
Total					128,352	13,087

UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	51.95	-0.85	52.90	51.85	51,898	10,967
Aug	51.01	-0.74	52.15	51.75	22,357	3,953
Sep	51.20	-0.54	51.60	51.20	11,128	1,842
Oct	49.40	-0.54	49.70	49.40	4,137	240
Nov	48.35	-0.51	48.46	48.45	3,272	7
Dec	52.30	-0.61	52.60	52.50	2,492	267
Total					97,097	17,316

GRAINS AND OIL SEEDS

WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	108.45	-0.70	111.00	109.45	406	40
Sep	99.05	+0.85	-	-	484	-
Nov	99.80	+0.95	99.80	99.10	2,090	14
Jan	101.55	+ 0.90	101.55	101.55	1,229	8
Mar	103.15	+0.60	103.15	102.85	361	6
May	104.55	+0.85	104.55	104.10	311	19
Total					4,661	79

WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	335/2	+3/4	337/0	330/0	124,335	48,340
Sep	341/2	+4/0	342/0	335/4	45,565	6,945
Dec	352/0	+3/2	353/4	346/4	69,820	22,120
Mar	354/6	+2/4	355/2	350/0	7,850	725
May	344/6	+2/4	-	-	305	50
Jul	325/4	-0/4	326/0	325/0	1,005	20
Total					248,895	76,285

MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	268/0	+2/4	269/4	264/0	509,880	122,415
Sep	262/2	+1/6	264/0	258/6	184,745	35,650
Dec	253/6	+0/6	257/0	251/2	460,435	180,050
Mar	260/4	+1/0	263/2	258/2	52,580	2,940
May	264/6	+1/2	266/6	262/4	7,000	285
Jul	266/4	+2/0	268/0	263/4	13,870	2,305
Total					1,222M	326,610

BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	98.25	+0.75	-	-	175	-
Nov	99.25	+0.75	99.25	99.00	333	23
Jan	100.75	+0.50	100.75	100.55	30	2
Mar	102.00	+0.20	-	-	22	-
May	104.00	-	-	-	4	-
Total					564	25

SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	660/4	+1/2	668/0	658/4	251,495	108,360
Aug	659/4	+0/6	665/4	655/0	86,230	30,495
Sep	646/0	+4/0	651/4	640/2	46,470	7,185
Nov	635/6	+4/6	641/0	628/0	294,290	159,265
Jan	640/4	+5/0	646/0	634/0	26,045	3,490
Mar	645/6	+3/6	649/4	640/0	10,785	366
Total					735,335	313,630

SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	27.19	+0.30	27.24	26.83	24,871	13,430
Aug	27.19	+0.31	27.23	26.85	14,453	4,505
Sep	27.11	+0.39	27.13	26.72	11,087	1,613
Oct	26.64	+0.39	26.65	26.25	7,773	564
Dec	26.12	+0.34	26.20	25.75	21,187	4,597
Jan	26.03	+0.43	26.03	25.55	3,029	230
Total					85,594	28,195

SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	190.9	-1.5	192.9	190.6	28,353	10,933
Aug	190.9	-1.5	193.2	190.7	16,861	3,328
Sep	190.4	-0.7	192.0	189.5	10,538	1,350
Oct	188.4	-1.1	190.5	188.0	5,534	512
Dec	187.4	-1.3	189.5	186.2	17,582	5,299
Jan	187.9	-0.4	189.7	187.0	1,974	-
Total					82,826	21,790

POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	133.1	+0.6	133.5	132.0	697	31
May	140.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					697	31

FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	1285	-	1285	1280	616	39
Jul	1180	+5	1190	1180	929	25
Aug	1205	-	1210	1195	387	28
Oct	1288	+8	1288	1280	210	22
Jan	1305	-2	1308	1300	83	11
Apr	1339	-1	-	-	80	-
Total					2,408	115

	Close	Prev
BFI	1378	1392

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 3,000-3,250 (2,800-2,900). Bismuth: min. 99.99%, tonne lots 2.25-2.40. Cadmium: min. 99.5%, 75-85 cents a pound. Cobalt: MB free market, 99.8%, 24.00-25.00 (24.50-26.50); 99.3%, 19.60-20.50 (19.50-20.25). Mercury: min. 99.99%, $ per 76 lb flask, 105-120 (100-120). Molybdenum: drummed molybdic oxide, 3.20-3.30. Selenium: min 99.5%, 3.50-4.55. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 33-45. Vanadium: min. 98%, cif, 1.40-1.50. Uranium: Nuexco exchange value, 7.00.

SOFTS

COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	966	-12	978	963	18,515	1,434
Sep	988	-9	1001	986	18,355	1,881
Dec	1011	-8	1020	1009	25,408	478
Mar	1033	-8	1042	1030	27,196	1,015
May	1044	-9	1054	1044	10,385	264
Jul	1056	-9	1078	1056	3,221	3
Total					111,912	5,214

COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1318	+12	1322	1290	27,272	9,475
Sep	1348	+14	1351	1320	23,165	5,787
Dec	1383	+13	1383	1357	9,445	1,586
Mar	1413	+13	1408	1390	8,622	605
May	1432	+13	1433	1424	2,920	7
Jul	1454	+13	-	-	2,385	-
Total					77,805	17,440

COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Jun 6 Daily	1012.34	1043.17
10 day average	N/A	N/A

COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	2051	-9	2054	2010	11,737	1,952
Sep	2024	-4	2027	1985	16,285	2,154
Nov	1988	-14	2000	1956	6,691	521
Jan	1966	-17	1980	1942	6,429	437
Mar	1944	-41	1944	1900	2,483	182
May	1935	+1	-	-	128	-
Total					43,751	5,249

COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	122.95	+3.70	123.75	118.25	18,230	7,283
Sep	120.95	+3.35	121.75	116.50	17,103	3,383
Dec	118.80	+2.95	119.15	115.00	12,528	845
Mar	118.35	+3.10	117.00	113.25	7,175	165
May	116.00	+3.50	116.00	116.00	790	45
Jul	115.75	+3.75	-	-	107	23
Total					55,979	11,761

COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Jun 6 Comp. daily	111.67	115.50
15 day average	118.92	118.63

No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.37	+0.17	12.39	12.18	2,627	282
Oct	12.50	+0.20	-	-	1,086	-
Jan	11.82	-	-	-	-	-
Mar	12.08	+0.17	-	-	60	-
Total					3,783	282

WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	347.30	+0.80	348.00	345.50	13,064	543
Oct	328.80	+1.40	329.50	326.40	8,748	591
Dec	319.90	+2.00	320.50	317.00	704	56
Mar	319.40	+2.60	318.50	318.00	2,336	13
May	319.10	+2.80	-	-	205	-
Aug	321.90	+2.80	-	-	235	-
Total					25,328	1,203

SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.13	+0.13	12.20	11.95	40,825	4,580
Oct	12.21	+0.16	12.26	11.99	57,204	5,033
Mar	11.89	+0.16	11.93	11.70	24,383	1,111
May	11.84	+0.11	11.87	11.73	3,863	66
Jul	11.81	+0.11	-	-	1,476	17
Oct	11.72	+0.11	-	-	687	-
Total					128,479	10,807

COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	81.10	-0.33	81.90	81.00	-	-
Oct	77.53	-0.02	77.85	77.13	-	-
Dec	76.00	+0.06	76.06	75.40	-	-
Mar	76.95	+0.18	76.95	76.37	-	-
May	77.10	-0.23	77.35	77.05	-	-
Jul	77.40	-0.20	77.65	77.40	-	-
Total					N/A	N/A

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	94.70	-0.96	95.40	94.50	10,371	1,780
Sep	97.05	-1.10	97.90	97.00	6,491	746
Nov	98.15	-2.10	99.70	98.15	1,540	136
Jan	100.65	-1.10	101.25	100.00	2,861	60
Mar	102.00	-0.50	102.50	101.50	1,039	51
May	104.00	-0.50	104.50	104.50	26	-
Total					22,103	2,585

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

REUTERS (Base: 18/9/31=100)

Jun 7	Jun 6	month ago	year ago
1957.2	1974.5	1902.7	1657.7

CRB Futures (Base: 4/9/56=100)

Jun 6	Jun 3	month ago	year ago
228.84	232.05	226.51	206.28

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	62.625	-1.025	64.000	62.400	12,368	10,795
Aug	62.425	-1.300	64.000	62.225	29,874	8,749
Oct	66.075	-0.975	67.450	65.900	14,450	2,258
Dec	67.725	-0.800	68.700	67.225	10,135	1,719
Feb	68.750	-0.775	69.700	68.150	6,478	545
Apr	69.950	-0.850	70.800	69.700	2,885	110
Total					76,763	24,261

LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	46.675	-0.350	47.250	46.300	3,497	2,795
Jul	46.900	-0.450	47.500	46.675	10,667	1,832
Aug	46.450	+0.325	46.500	45.775	7,463	2,201
Oct	43.575	+0.125	43.650	43.275	4,136	606
Dec	44.250	-0.025	44.300	43.825	3,021	277
Feb	44.125	+0.025	44.150	43.800	720	55
Total					30,128	7,840

PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	41.125	-1.250	42.400	40.650	4,735	1,540
Aug	40.175	-1.125	41.150	39.700	3,303	650
Feb	48.000	-0.400	48.400	47.550	429	91
Mar	47.050	-0.150	-	47.050	36	2
May	50.000	-0.350	-	48.350	32	2
Jul	48.500	-1.000	-	48.500	12	2
Total					8,548	2,285

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1325	65	102	20	33
1375	37	73	42	53
1425	19	50	73	79
COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2200	96	110	45	91
2250	69	87	67	117
2300	48	66	95	146
COFFEE LCE	Jul	Sep	Jul	Sep
2100	48	164	97	240
2150	32	147	131	273
2200	21	132	170	308
COCOA LCE	Jul	Sep	Jul	Sep
950	24	71	8	33
975	10	57	19	44
1000	4	45	38	57
BRENT CRUDE IPE	Jul	Aug	Jul	Aug
1550	-	-	5	-
1600	21	58	16	28
1650	4	25	-	48

LONDON SPOT MARKETS

CRUDE OIL FOB (per barrel/Jul)

		+or-
Dubai	$15.01-5.14w	-0.250
Brent Blend (dated)	$15.89-5.91	-0.235
Brent Blend (Jul)	$15.99-6.01	-0.255
W.T.I. (1pm est)	$17.80-7.82w	-0.180

OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$186-187	-1
Gas Oil	$147-149	-0.5
Heavy Fuel Oil	$84-86	-0.5
Naphtha	$154-155	-3
Jet Fuel	$158-160	-2

Petroleum Argus Estimates

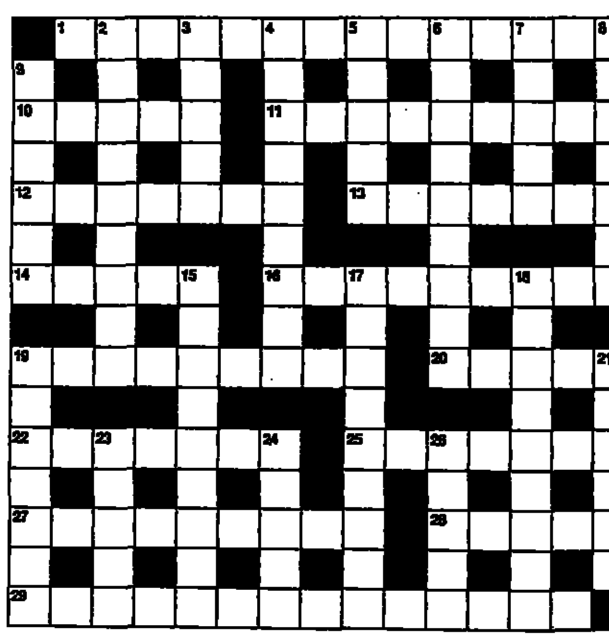
OTHER

Gold (per troy oz)♣	$380.60	+1.80
Silver (per troy oz)♣	530.50c	+6.00
Platinum (per troy oz.)	$396.55	+1.30
Palladium (per troy oz.)	$134.15	+0.30
Copper (US prod.)	106.00c	-2.00
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.00m	-0.15
Tin (New York)	256.50c	-2.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	128.22p	+0.40*
Sheep (live weight)†♠	112.49p	-22.12*
Pigs (live weight)	84.68p	-2.85*
Lon. day sugar (raw)	$291.70	-2.90
Lon. day sugar (wte)	$355.50	-1.00
Tate & Lyle export	£306.00	-2.00
Barley (Eng. feed)	£104.5t	
Maize (US No3 Yellow)	£140.0	
Wheat (US Dark North)	£160.0	
Rubber (Jul)♥	75.25p	+1.25
Rubber (Aug)♥	75.25p	+1.25
Rubber(KL RSS No1 Jul)	262.00m	+2.00
Coconut Oil (Phil)§	$615.0z	+5.0
Palm Oil (Malay.)§	$485.0w	
Copra (Phil)§	$403.0	
Soyabeans (US)	£192.0z	-6.0
Cotton Outlook A Index	86.65c	-0.05
Wooltops (64s Super)	426p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec z Jun/Jul. y Jun. w Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

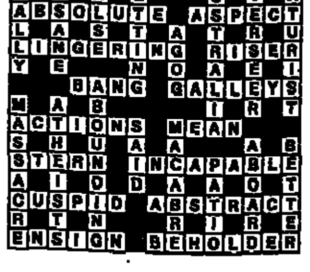
No.8,474 Set by HIGHLANDER



ACROSS
1 Existing odds against one finding time to rest (9,5)
10 More than one spoke for artillery: 500 + 11 (5)
11 Frank and four from Rome lead oriental order (9)
12 Smart and semi-sophisticated, makes trouble (7)
13 Care to broadcast about origin of imported porn? (7)
14 Studies announced for wind instruments (5)
16 Don't fully appreciate being subject to tax (9)
19 Daughter is third in succession embarrassed by sex smear (9)
20 Swiftly moves violin round (5)
22 Insect's sensor reveals insect queen is back (7)
25 Baffle with foreign negative first (7)
27 Change of attitude: use first two letters in expel (9)
28 Grow large initially in period of prosperity (5)
29 Archbishop's clanger or bloomer (10,4)

DOWN
2 With no one in the saddle lacking a qualification (9)
3 Pass on to the French outside a foreigner's farewell (5)
4 Cover sure to be conservative (9)
5 Tend to give special attention to harbour (5)
6 Gave help to con-man's victim, said Edward (9)
7 Excuse a politician sitting on one (5)
8 Two-thirds of football team fed in advance (7)
9 Appropriate for theatre group in the ascendant (6)
15 Asking her perhaps for extent of contraction (9)
17 Duty schedule perceived as complete reversal is trigger for explosion (9)
18 Sweet girl first victim of practical joke (5,4)
19 Severe spasm covered up by doctor since (7)
21 Points to identical seed plant (6)
23 Stage Act One in Italian city (5)
24 American crowd upset by Britain's first modern weapon (1-4)
26 Arrest ex-pupil, a very wealthy chap (5)

Solution 8,473



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Share prices struggle in thin trading volumes

By Terry Byland, UK Stock Market Editor

The London stock market had to struggle to hold on to the Footsie 3,000 mark at the close of trading yesterday after renewed weakness in British government bonds undermined equities. Trading volume remained poor, matching Monday's retail business total of £784.1m, which was among the lowest genuine daily totals for the past 12 months.

Low volume again brought volatility in a market in which many fund managers appeared to have backed off until next week, when the elections to the European parliament will be out of the way. Uncertainty is focused in London because of the likelihood that Thursday's poll will deal a further blow to the political standing of Mr John Major's governing Conservative party.

The FT-SE 100 Index finished 4.6 down at 3,004.8, but had traded between 3,014 and 2,993 during the session. Across the wider range of stocks, the FT-SE Mid 250 Index closed at 3,577.6 for a net gain of 6.2. Seaq volume of 482.9m shares compared with 436.4m in the previous session.

Although economic news came mostly in other securities markets, equities in London continued to move under the influence of bond prices. Unsubstantiated rumours of further corporate problems in Germany helped to unsettle the markets, and widespread falls in UK gilts kept share prices under restraint.

At Panmure Gordon, Mr Robin Aspinall warned that the decoupling of European bonds from the US may serve to emphasise the sale of overhanging positions built up when investors were playing between transatlantic markets. London markets turned cautious yesterday afternoon when investors were waiting for the US consumer credit statistics.

After opening a shade easier, the stock market fell sharply within minutes as government bonds began to ease. The Footsie 3,000 mark was lost but only briefly. By mid-morning the index had rebounded to what was to prove the day's high of 3,014.8.

Chart analysts were relieved to see the Footsie 3,000 level hold since any loss would again leave the market struggling to find a new foothold. But the poor trading volumes in the market undermined the credibility of the rally.

The final picture showed a somewhat mixed performance by blue chips. One of the strongest areas was the regional electricity generating companies, which moved up as the market assessed prospects for the National Grid that belongs to the 12 regional companies.

Bank and financial shares were largely unable to extend the recovery of the previous session. Consumer stocks struggled to throw off the market's continued doubts over the outlook for consumer spending, with only a handful of food retailers finding support.

Unilever, however, bounced significantly in the second half of the session on news that a Dutch supermarket would continue to stock the new detergent product which has attracted public attack from its principal rival.

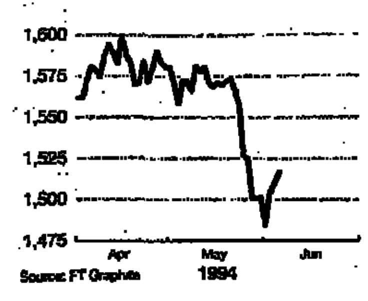
Worries in the retail sector were taken up by analysts at Robert Fleming, who maintained that the sector will "lose momentum" this year, dragging down GDP performance in its wake. Fleming believes that neither recovery in investment nor stockbuilding will prove sufficient to replace what it identifies as missing personal consumption.

Account Dealing Dates

*First Dealings:	May 16	Jun 6	Jun 20
Option Declarations:	Jun 2	Jun 16	Jun 30
Last Dealings:	Jun 3	Jun 17	Jul 1
Account Day:	Jun 13	Jun 27	Jul 11

*New time dealings may take place from two business days earlier.

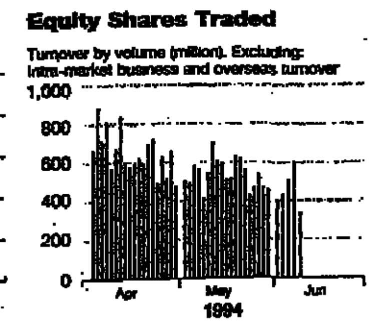
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3004.8	-4.6	FT Ordinary Index	2382.1	-5.5
FT-SE Mid 250	3577.6	+6.2	FT-SE-A Non Fins p/e	19.25	(19.31)
FT-SE-A 350	1521.3	-1.2	FT-SE100 Fut Jun	2996.0	-1.0
FT-SE-A All-Share	1514.10	-1.28	10 yr Gilt yield	8.62	(8.50)
FT-SE-A All-Share yield	3.89	(3.88)	Long gilt/equity yld ratio:	2.23	(2.21)

Best performing sectors		Worst performing sectors	
1 Gas Distribution	+1.4	1 Oil Exploration & Prod	-2.1
2 Extractive Inds	+1.4	2 Diversified Indls	-1.0
3 Other Financials	+0.8	3 Oil, Integrated	-0.9
4 Retailers, General	+0.8	4 Water	-0.8
5 Printing, Paper & Pckg	+0.7	5 Mineral Extraction	-0.6

Switching activity in Hanson

Hanson warrants and ordinary shares figured prominently in the market's most actively traded stocks, with the Seaq ticker revealing two exceptionally heavy deals in the warrants and one big trade in the ordinary shares.

Turnover of 11m Hanson warrants was almost entirely due to two trades, each of 5m warrants carried out at 32p apiece, while Hanson ordinary saw turnover of 7.5m shares, with 3m accounted for by a single trade at 253¾p. Salomon Brothers, the US brokerage, acknowledged that it had been heavily involved in a switching operation. Hanson ordinary closed 3¾ off at 250¾p and the warrants lost a penny at 31½p.

'Recs' wanted

Better than expected results from the National Grid, owned by the regional electricity companies, were behind the latest strong performance from the "recs".

The National Grid announced a 15 per cent increase in its dividend payment, slightly disappointing the market's super-bulls, who had been looking for a rise of around 18 per cent, but generally pleasing the market, where the "recs" made good progress throughout the session.

Mr Kevin Lapwood, utilities analyst at Smith New Court, described the National Grid results as "extremely bullish for the recs". The Smith analyst said that in only one year since the Grid had its regulatory review – then viewed as harsh by the market – the company has already managed a return on capital of 8 per cent on the dividend and 15 per cent on earnings on the back of a 10 per cent cut in manpower.

"If the recs can do the same after the current review, then you could be looking at potential prices of 900p a share on average," said Smith's Mr Lapwood.

The best individual performances from the recs came from Eastern, 11 higher at 590p, Northern, 10 up at 651p, and Southern, 10 firmer at 573p. Norweb, 622p, and South Wales, 627p, rose 7 apiece.

Bank leads

Banking group Standard Chartered was the FT-SE 100's best individual performer for the second consecutive session, the shares following Monday's 12p rise with a further gain of 10 at 262p after renewed aggressive buying from Morgan Stanley, the US investment bank.

Morgan Stanley recently published a strong buy recommendation on the stock, emphasising the bank's "very good long-term prospects, cost-cutting ability and dividend growth potential".

Mr Nick Collier, banks specialist at Morgan Stanley, said Standard shares had come down from the equivalent of 358p and that he had emphasised the selling had been overdone. "The rerating of Standard has only just begun," he added.

A buy recommendation from Yamaichi helped J. Sainsbury buck the general trend and rise 3 to 384p.

The broker highlighted a stronger than anticipated recovery in sales and the impact of subsidiaries – such as Homebase and US retailer Shaw's - as major factors in the recovery, and believes the "Essential for Essentials" campaign, launched last October, has been successful enough to put strong pressure on other retailers.

"If Sainsbury and the other majors can contain the discounters and if cost reductions can be implemented, then it is possible to forecast some recovery in profit levels for some parts of the industry," it said.

Yamaichi is forecasting £787m pre-tax profits for the current year and £847m for 1996.

Strong sentiment pushed RTZ ahead with a buy note from Kleinwort Benson and an upgrade of this year's estimates from Lehman Brothers helping the shares post an increase of 13 to 833p.

Lehman boosted its earnings per share forecast from 37.6p to 40.8p for this year on the back of a substantial upward revision of the copper price by the broker. It raised its estimate for the average copper price for 1994 from 78 cents/lb to 92 cents/lb, citing a combination of high demand in the US and strong investment interest. Turnover reached 2m.

Unilever bounced back from yesterday's 22p fall, gaining 13 to close at 988p. Sentiment recovered after this morning's statement from Dutch retailer Ahold that it would continue to stock the Unilever washing powder which rival Procter & Gamble has alleged ruins clothes.

Kleinwort Benson moved from hold to buy; Richard Allen said the worst possible case was a one-off write-off of about 3 per cent of market capitalisation, about £250,000 – even on that basis, the stock was undervalued "and that is not our central case," he added. "Remember over 50 per cent of Unilever's business is in sectors that are growing as well as if not better than the market. The shares represent good value at this level."

Enterprise Oil slipped 9 to 379p, with the shares increasingly weakened by fears that a robust defence document which has to be made by the end of this week from bid target Lasmo, could bring a higher offer from Enterprise.

Lasmo shares were again upset by selling from speculators who bought the shares ahead of the much-rumoured bid, closing 5½ off at 135½p.

Amersham shares surged 33 to 871p in the wake of excellent preliminary results which showed pre-tax profits up over 65 per cent and the dividend total up 15 per cent.

The good figures and news of a proposed one-for-one scrip issue saw Allied Colloids advance 11 to 260p.

Heavy turnover of 5.7m in brewer Bass was prompted by a change from hold to buy by Kleinwort Benson, but the stock eased a penny to 519p. Mr David Thompson said the two concerns of big cash outflow and beer pricing had now been factored into the price.

Results from Great Portland Estates disappointed the market this morning, knocking 7 off the share price to close at 196p. A NAV of 209p per share compared badly with expectations in the 225-230p range, and a cautious statement on the prospects for rental growth did nothing to allay fears.

Continued benefit from its announcement of talks to take a stake in Fokker and news of a Colombian contract buoyed British Aerospace, which added 9 at 468p with 1.3m shares traded. The stock was backed in buy notes from UBS, Strauss Turnbull and NatWest.

MARKET REPORTERS:
Steve Thompson, Christine Buckley, Clare Gascoigne.

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (27).
DISTRIBUTORS (1) Cook (D.C.), DIVERSIFIED INDLS (1) Porter Chadburn, ELECTRNC & ELECT EQUP (5) Arcolectric 'A', Adan, CML Micro, Mitsubishi Electric, Plasmec, ENG. VEHICLES (1) Boustead, EXTRACTIVE INDS (1) INSURANCE (1) Aon, INVESTMENT TRUSTS (3) OIL EXPLORATION & PROD (4) Crossroads Oil, Gulfstream Res Canada, Intl Petroleum, Tullow Oil, OTHER SERVS & BUSNS (1) Shelton (M). RETAILERS, GENERAL (1) Austin Reed, SPIRITS, WINES & CIDERS (1) Seagram, SUPPORT SERVS (1) Howtal Whiting, TEXTILES & APPAREL (1) Dewhirst, AMERICANS (5)
NEW LOWS (108).
BANKS (1) Deutsche, BREWERIES (1) Fosters, BUILDING & CNSTRN (6) EBC, Laing (John), Do. 'A', Do. Pf, Prowting, Raine, BLDG MATLS & MCHTS (3) Helton, Pilkington, Do. Warrants, DISTRIBUTORS (1) Heritage, DIVERSIFIED INDLS (4) Bibby (J.), Kvaerner 'B', Pacific Dunlop, Powell Duffryn, ELECTRNC & ELECT EQUP (4) BICC Cap. Fin Bds 2020, Blick, Tunstall, Volex, ENGINEERING (6) Beckenham, Billam (J.), FKI, Hall Eng., Hunting Prf., Quadramatic, ENG. VEHICLES (1) Ingham, EXTRACTIVE INDS (3) FOOD MANUF (6) Acatos & Hutcheson, Assoc. Brit. Foods, Dalgety, Hazlewood, Unilever, Do. NV, HEALTH CARE (3) Intercare, Tepnel Diagnostics, Westminster Healthcare, HOUSEHOLD GOODS (4) Fine Decor, Jeyes, Reckitt & Colman Cap. Bd, Relyon, INSURANCE (5) INVESTMENT TRUSTS (10) LEISURE & HOTELS (3) Brent Walker, Granada Prf., Ladbroke, LIFE ASSURANCE (1) Britannic, MEDIA (5) Aveaco, News Intl. Special Div., On Demand Info, Reed Intl, Scottish TV, MERCHANT BANKS (1) Hambros, OIL EXPLORATION & PROD (5) Coplex Res, Enterprise, Hardy Oil & Gas, OTHER FINANCIAL (6) OTHER SERVS & BUSNS (2) General Motors Uts, Rodime, PHARMACEUTICALS (1) Hafslund Nycomed 'B', PRTNG, PAPER & PACKG (2) Jarvis Porter, RPC, PROPERTY (7) RETAILERS, FOOD (6) Dairy Farm, Tesco Capital Cv Bd 2005, RETAILERS, GENERAL (7) Clinton Cards, Coles Myer, Colorvision, Courts, Hughes (T.J), Kleeneze, Wyevale Garden Centres, SUPPORT SERVS (6) Capita, Davis Service, Misys, Ricardo, Virtuality, TEXTILES & APPAREL (2) British Mohair, Castle Mill, TRANSPORT (5) Go-Ahead, Mersey Docks & Harbour, Transport Devpt., AMERICANS (1)

EQUITY FUTURES AND OPTIONS TRADING

Weakness in stock index futures was faced by a stubborn cash market that refused to be led downwards, *Christine Buckley writes.*

One derivatives trader speculated that a buy programme may have shored up the cash market, which has *recently often fallen prey to* the *many* swings of the June contract on the FT-SE 100.

Directionless trading dogged June, with much of its fall over *the session attributed to* ticking down by independent traders. Institutions were said to have kept to the sidelines.

This week's lack of economic data is deepening the apathy. For most of the day, June traded at a substantial discount to cash although in a fairly narrow range. The contract fell to its lowest level early in the session when it touched 2,983, although it rallied to reach its intraday high of 3,014 only a little later.

However, after mid-morning the contract found few friends and drifted, often downwards, for much of the session, closing at 2,998 and trailing the cash market by nearly 9 points. Volume was thin at 13,070 contracts.

Options had an uneventful day, with just 20,913 lots dealt. Index options were a prominent part of the activity as investors looked for hedging positions. The FT-SE 100 option traded 10,685 lots. The most traded stock option was Guinness at 1,005.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	2991.0	2996.0	-1.0	3014.0	2983.0	13018	45343
Sep	3003.0	3008.0	-0.5	3023.0	2996.0	2162	16366
Dec		3017.0	-1.0			0	252

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3580.0	3560.0	-10.0	3589.0	3569.0	39	3612
Sep	3590.0	3574.0	-10.0	3584.0	3584.0	12	1295

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		3580.0					771

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3009) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3600	3650	3700	3750	3800	3850

Calls & Puts & Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Jun 7	Day's chge%	Jun 6	Jun 3	Jun 2	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3004.8	-0.2	3009.4	2997.8	2980.8	2844.4	4.11	6.90	17.30	48.83	1121.69
FT-SE Mid 250	3577.6	+0.2	3571.4	3557.3	3558.3	3198.1	3.46	5.71	21.30	44.03	1315.78
FT-SE Mid 250 ex Inv Trusts	3583.7	+0.2	3577.0	3562.2	3562.5	3215.9	3.59	6.15	19.91	44.80	1314.03
FT-SE-A 350	1521.3	-0.1	1522.6	1516.6	1509.9	1421.4	3.85	6.62	18.10	23.33	1161.68
FT-SE SmallCap						1630.56	3.00	4.23	29.14	20.87	1434.49
FT-SE SmallCap ex Inv Trusts											
FT-SE-A ALL-SHARE	1514.10	-0.1	1515.38	1509.96	1503.69	1407.88	3.89	6.45	18.60	22.77	1176.46

■ FT-SE Actuaries All-Share

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100											
FT-SE Mid 250											
FT-SE-A 350											

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrn												
Pharmaceuticals												
Water												
Banks												

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	2,000	54½	+½
Abbey National†	1,300	417	+1
Albert Fisher	1,600	55	-1
Allied-Lyons†	1,800	573	+1
Anglian Water	1,000	487	-1
Argos	237	348	-1
Argyll Group†	2,300	233	+1½
Arjo Wiggins†	1,200	274	+2
Assoc. Brit. Foods†	776	539½	-½
Assoc. Brit. Ports	305		
BAA†	633		
BAT Inds.†	4,300		
BET	1,000		
BICC	338		
BOC†	849		
BP†	3,600		
BPB Inds.	850		
BT†	3,000		
BT (P/Paid)	1,400		
BTR†	6,400		
Bank of Scotland†	1,000		
Barclays†	2,800		
Bass†	5,700		
Blue Circle†	441		
Booker	718		
Boots†	974		
Bowater†	852		
Brit. Aerospace†	1,300		
British Airways†	2,000		
British Gas†	3,100		
British Land	822		
British Steel†	6,100		
Bunzl	1,400		
Burmah Castrol†	461		
Burton	1,800		
Cable & Wire†	992		
Cadbury Schweppes†	859		
Calor Group	15		
Caradon†	1,800		
Carlton Comms.†	455		
Coats Viyella†	240		
Comm. Union†	1,100		
Cookson	1,800		
Courtaulds†	1,100		
Dalgety	168		
De La Rue†	675		
Dixons	803		
Eastern Elect.	276		
East Midland Elect.	773		
Eng China Clays	648		
Enterprise Oil†	994		
Eurotunnel Units	185		
FKI	124		
Fisons	4,000		
Foreign & Col. I.T.	2,100		
Forte†	581		
Gen. Accident†	1,100		
General Elect.†	2,900		
Glaxo†	2,400		
Glynwed	1,200		
Granada†	2,000		
Grand Met.†	4,400		
GUS†	987		
GRE†	2,500		
GKN	1,200		
Guinness†	784		
HSBC (75p shs)†	1,500		
Hammerson	57		
Hanson†	7,500		
Harrisons Crosfield	1,000		
Hays	188		
Hillsdown	3,100		

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	540	44½	57	–	5½	15	–
(*572)	580	15	29½	–	27	37	–
Brit Telecom	360	19	25	28½	15½	19	25½
(*369)	390	6	12	16	36	38½	44½
Cadbury Sch	420	48½	54	61½	4	10½	12½
(*457)	460	19	30½	38	18	27	29

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Eastern Elec	550	49½	59	70	16	26	34
(*589)	600	19½	34½	46	41	52½	60½
Guinness	460	25	36½	46½	12½	21½	24
(*489)	500	7½	18	28	37	45	46½
GEC	300	9	18	19½	16	20½	23½
(*300)	330	2	6	9	41	42½	44½
Hanson	240	18½	22½	26	4½	9	12½
(*251)	260	8	12½	16	14	19	23
HSBC 75p shs	700	48	71	87½	29½	52	63½
(*712)	750	24½	48	65	58½	80½	91
Reuters	487	25	37½	–	18½	31	–
(*490)	500	18	31	–	25½	37	–

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Rolls-Royce	180	14½	22	25½	7½	13½	16
(*185)	200	5½	12½	16½	19½	25½	28

* Underlying security price. Premiums shown are based on closing offer prices.
June 7, Total contracts: 20,880 Calls: 8,209 Puts: 12,671

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	63	8
Other Fixed Interest	1	0	14
Mineral Extraction	38	78	85
General Manufacturers	101	170	392
Consumer Goods	28	59	104
Services	71	120	318
Utilities	22	11	13
Financials	96	78	200
Investment Trusts	89	50	331
Others	49	51	33
Totals	496	680	1498

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	May 23	Last Declarations	Sept. 1
Last Dealings	June 10	For settlement	Sept. 12

Calls: Cons. Murch., Medeva, Microfocus, Regent Corp., Tullow Oil Put: Medeva

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-

FT GOLD MINES INDEX

	Jun 6	% chg on day	Jun 3	Jun 2	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (35)	1884.51	-1.8	1919.22	1926.73	1782.55	2.10	2367.40	1522.66
■ Regional Indices								
Africa (16)	2582.11	-2.7	2653.76	2613.20	2399.66	4.71	3440.80	1902.23
Australasia (8)	2551.76	-2.7	2621.45	2607.38	2062.32	2.03	3013.89	1599.18
North America (11)	1584.90	-1.1	1602.18	1629.57	1584.83	0.71	2039.65	1363.00

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: June 7: 213.9 ; day's change: -1.0 points; Year ago: 184.3 † Partial
Latest prices were unavailable for this edition.

FINANCIAL TIMES EQUITY INDICES

	June 7	June 6	June 3	June 2	June 1	Yr ago	*High	*Low
Ordinary Share	2382.1	2387.6	2379.9	2364.5	2321.2	2224.5	2713.6	2321.2
Ord. div. yield	4.22	4.21	4.22	4.25	4.32	4.16	4.32	3.43
Earn. yld. % full	5.62	5.61	5.62	5.61	5.76	5.29	5.76	3.82
P/E ratio net	19.04	19.06	19.05	19.14	18.59	23.85	33.43	18.59
P/E ratio nil	19.68	19.72	19.69	19.71	19.22	22.24	30.80	19.16

*For 1994. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2385.5	2378.1	2388.4	2391.6	2390.8	2384.6	2379.8	2376.3	2384.0	2392.2	2375.0

	June 7	June 6	June 3	June 2	June 1	Yr ago
SEAQ bargains	21,269	22,112	31,492	26,144	22,553	26,618
Equity turnover (£m)†	-	784.1	1243.3	1161.6	1116.3	1174.3
Equity bargains†	-	24,102	33,508	30,073	27,230	30,976
Shares traded (ml)†	-	341.0	609.0	519.1	446.0	480.1

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or −	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22¼	−⅛	£25⅜	£21¼	8,567	5.0	♦
ANZ A$		200	−3½	278¾	199¾	2,880	4.5	15.7
Abbey National	♣N□	417	+1	823	381	5,471	4.2	14.0
Allied Irish I£	♣N□	298	+4	314	240	1,834	5.1	9.5
Anglo Irish I£	♣N□	57xd	—	*70	51	178.5	8.4	8.3
Asahi Y		725¾	+1	781¼	628	16,829	0.9	♦
Banco Bil Viz Pta		£16	+⅛	£18⅛	£14⅛	3,898	5.1	7.2
Banco Sant Pta		£23¼	—	*£29⅜	£23¾	2,838	5.7	♦
Bk Ireland I£	♣□	280xd	+7	*319	246	1,236	4.8	♦
Bank Scotland	♣N□	191xd	+2	247	172½	2,225	3.3	15.6
9⅞pc Pf		119½	−⅛	141½	114½	116.5	9.9	−
9¼pc Pf		122	−1	148½	119¾	122.0	10.0	−
Barclays	♣N□	541	−1	640	487	8,802	3.5	22.4
Dai Ichi Kan Y		£12⅝	+⅛	£13⅞	£10⅞	39,450	0.4	69.9
Deutsche DM		£293⅝	−4⅛	£344¼	£293⅝	13,988	2.1	−
Espirito Santo		£19⅞	−⅞	£26⅛	£18¼	207.6	4.1	4.7
First Nat Fin	N□	74	—	*80	60	122.8	2.5	−
6.3pc Cv Pf		79xd	—	*80	77	5.81	10.0	−
7pc Cv Pf		140xd	—	171	123	68.4	8.2	−
Fuji Bank Y		1472¼	+30½	1549¼	1152½	42,632	0.4	♦
HSBC HK	N□	732	−6	1133	687	12,863	4.0	12.6
HSBC (75p Shs)	N□	711xd	−7	1113	658	6,015	4.1	12.3
Lloyds	N□	584	−6	680	530	7,276	4.9	11.9
Mitsubishi Y		£17⅛	+⅛	£18⅝	£15¾	48,572	0.3	♦
Mits Tst & Bk Y		1084½	+33	1092¼	887½	14,128	0.5	17.4
Mitsui Tst & Bk Y		816½	+24¾	841¼	514	9,784	0.7	27.8
Nat Aust A$	†	572	−¼	620¼	537¾	7,831	4.2	13.6
NatWest	N□	470	+3	822	421	7,820	4.9	10.7
Ottomane FFr		£27½	—	£33	£23½	117.5	6.2	♦
Ryl Bk Scotland	♣†N□	408xd	+3	520	382½	3,251	3.7	18.4
Sakura Y		£9⅛	+⅛	£9⅞	£8⅛	26,309	0.6	57.1
Sanwa Y		£14⅞	+⅛	£15⅞	£11⅞	41,787	0.4	♦
Standard Chartd	N□	282	+10	*369¼	223	2,517	2.9	11.5
7 3/8pc Prf		92¼	−¼	108½	89½	92.2	10.8	−
Sumitomo Y		£13⅞	+⅛	£16⅛	£11½	43,570	0.4	29.9
Sumitomo Tst Y		1045¼	+31½	1069¼	625	12,898	0.5	♦
TSB	N□	210	+2	291	202½	3,213	4.6	14.3
Tokai Y		898	+⅛	931	656	17,708	0.6	58.3
Toyo Tst & Bk Y		759¼	+1¼	803	588¼	5,871	0.6	67.8

CHEMICALS

	Notes	Price	+ or −
AGA SKr		£22⅜	+⅛
Akzo Fl		£73⅝	+⅛
Allied Colloids	g♣N□	289	+11
Amber Ind	†N	765	—
BASF DM		£124	−1⅞
BOC	♣N□	717xd	+8
BTP	♣†N□	323	—
Bayer DM		£146⅛	−2¼
Brent	N□	117	—
British Vita	N□	288	+1
Cambridge Isp S	♣	20	—
Canning (W)	♣N□	186xd	−1
Cementone	♣N	74	—
Warrants		31	—
Courtaulds	gN□	510xd	+4
Croda	N□	347xd	+2
Doeflex	♣N	118	—
Engelhard $		£17½	−⅛
European Colour	♣N□	48xd	—
Gibbon Lyons	♣†	148	—
Hickson	♣N□	182xd	+1
Hoechst DM		£137⅞	−1⅞
Holliday Chemical	g□	213	—
ICI	N□	815	−6
Inspec	□	209	—
Kalon	♣N□	174	—
Laporte	♣N□	748	−1
MTM	♣□	75	—
Manders	N	359	—
McLeod Russel	N□	119	—
Metrotect Inds	N□	109	−1
Perstorp SKr		£27⅛	−1⅛
Porvair	♣N	380	−5
Scapa	♣†N□	227	—
Wardle Storeys	N□	395xd	—
Wolstenholme	♣N	685	+10
Yorkshire	♣N□	485	—
Yule Catto	N□	316xd	−1

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or –	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£28½	—	£28½	£13½	1,692	2.8	19.4
Barlow		£9⅛	—	£9⅞	£3⅞	1,055	8.1	9.7
Gold Flds Prop R		181	—	186	76	10.3	9.9	9.0
MK Props	s	90	—	95	87	3.62	9.9	37.0
SASOL		337	+1	382	280	1,909	4.6	–
SA Brews		£13⅛xd	–⅛	£15⅛	£10	7,053	2.1	21.6
Tiger Oats	†	875xd	—	898	538	1,014	2.3	14.3
Tongaat-Hulett	†	691	–6	697	434	517.2	2.2	19.3

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ⁂ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
k Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F

Abbey Life Assurance Co Ltd

Canada Life Group

Eurolife Assurance Company Ltd

Homeowners Friendly Society Limited - Contd.

M & G Life and M & G Pensions - Contd.

National Westminster Life Assce Ltd - Contd.

Prudential Corporate Pension Funds - Contd.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Equitable plc - Contd.

Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

Sun Alliance Group - Contd.

Allied Dunbar International Assce Ltd (z)

CMI Insurance Co Ltd

Royal Skandia Life Assurance Ltd - Contd.

Guinness Flight Fd Mngrs (Guernsey) Ltd

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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The Portugal Fund Limited

Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

TSB Trust Funds (CI)

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

Fleming Group (u)

Foreign & Colonial Emerging Markets Ltd (u)

Fronttrumeer I (u)

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

Thornton Investment Management Ltd

S.G. Warburg Asset Mngt Lux SA

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

JERSEY

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar treads water

The dollar traded steadily on foreign exchanges yesterday with no fresh data to give the market direction, *writes Philip Gawith.*

The US currency held onto its recent gains to finish in London at DM1.6695 against the D-Mark, from DM1.6692 on Monday. Against the yen, it finished at Y105.235 from Y105.350.

The dollar fell back later in US trading after Mr Mickey Kantor, the US trade representative, said the US would use trade laws if framework talks fail to open Japanese markets.

Traders said the recent pattern of foreign exchange markets playing second fiddle to the bond markets had persisted. Currency trade was directionless with "very little to go for", one dealer said.

Sterling also had a steady day with the sterling index finishing at 80.5 from 80.6 on Monday.

In Europe the D-Mark was slightly weaker ahead of the weekly repo announcement today, and European elections tomorrow and later in the week.

■ In European trading the dollar showed little reaction to earlier news that Germany's economy had grown by an annualised 2.1 per cent in the first quarter - above market expectations.

It was also unmoved by comments from Mr Lloyd Bentsen, US treasury secretary, suggesting that the fall in US unemployment to 6 per cent in May, from 6.4 per cent in April, might be subject to revision. The strength of this figure was a key factor accounting for the rise in the dollar last Friday.

Mr Kantor's comments, however, had more impact on the market. Speaking to reporters at the annual meeting in Paris of the Organisation for Economic Co-operation and Development, he said: "Our goals and strategies have not changed. We will open the Japanese markets either through the framework or through US trade laws."

His observations served as a timely reminder of one of the factors that has depressed the dollar in recent months. Some commentators thought they had recently detected a change in US administration policy towards the dollar.

Mr Paul Chertkow, for example, head of global currency research at UBS, spoke of the "end of the policy of dollar debasement by the Clinton administration to exert pressure on the Japanese authorities to undertake measures to increase imports." But Mr Kantor's comments suggest it may be business as usual.

■ The flip side of recent dollar strength has been a softening of the D-Mark on the perception that the dollar enjoys investor support.

The D-Mark finished in London at FFr3.317 against the French franc from FFr3.412 on Monday. Mr David Cocker, economist at Chemical bank in London, likened the franc's recent strength to a "snail running for the finishing line". He said the franc might rise to FFr3.39, but said this could still take some time.

One European currency that slipped against the D-Mark was the Swedish krona which closed at SKr4.755 from SKr4.738. Analysts attributed this to the sale of bonds by foreigners, on fears of inflation, and worries that Austria might vote "no" in Sunday's referendum about accession to the EU. Sweden also wishes to join the EU.

Another feature of an otherwise quiet day was a series of comments from European government figures and central bankers about possible falls in interest rates. Mr Edmond Alphandery, the French economy minister, said there was still room for European interest rates to fall. This message was echoed by Mr Erik Hoffmeyer, the Danish central bank governor, and Mr Guenther Rexrodt, the German economics minister.

As yet the European elections have impacted little on the market consciousness. Mr Cocker comments: "The total apathy of the voting public will probably spill over into the markets." The possible exceptions to this rule might be the UK, Spain and Germany, where bad results could result in political instability and currency weakness.

There is also speculation that with the election past, the Greek government might relent in its defence of the drachma. Were the drachma to fall in value, this could spill over into other weak European currencies like the Spanish peseta and the Portuguese escudo.

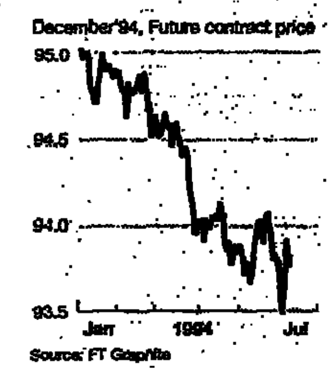
■ Markets are anticipating a 3-5 basis point fall in the German repo rate when the result of the weekly auction is announced today. The rate is currently 5.15 per cent. German call money rates firmed slightly to about 5.10/5.20 per cent from Monday's 5.05/5.15 per cent.

In the UK money markets, the Bank of England provided late assistance of £95m, compared to a forecast shortage of £300m. The overnight rate traded between 4¼ per cent and 6¾ per cent.

In the futures markets short sterling gave up some of its recent gains. The December contract traded 23,000 lots and finished at 93.78 from 93.86. The December euromark contract traded nearly 44,000 lots, and finished four basis points lower at 94.73.

Sterling

December'94, Future contract price



Source: FT Graphite

■ **Pound in New York**

Jun 7	Latest	Prev. close
£ spot	1.5080	1.5078
1 mth	1.5071	1.5069
3 mth	1.5057	1.5055
1 yr	1.4999	1.5003

■ **OTHER CURRENCIES**

Jun 7	£	$
Hungary	158.420 - 158.599	103.830 - 103.880
Iran	2633.00 - 2640.00	1748.00 - 1750.00
Kuwait	0.4488 - 0.4503	0.2979 - 0.2987
Poland	34152.3 - 34205.2	22670.0 - 22690.0
Russia	2920.57 - 2926.10	1938.00 - 1943.00
U.A.E.	5.5306 - 5.5419	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jun 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.6609	-0.0259	712 - 905	17.7343	17.6711	17.6771	0.3	17.6715	0.2	-	-	114.0
Belgium	(BFr)	51.7780	-0.0229	407 - 113	51.8510	51.6800	51.766	0.2	51.811	-0.3	51.636	0.3	115.1
Denmark	(DKr)	9.8474	-0.0092	426 - 521	9.8677	9.8319	9.8552	-1.0	9.868	-0.8	9.869	-0.2	115.3
Finland	(FM)	8.3416	+0.028	312 - 519	8.3519	8.3080	-	-	-	-	-	-	80.6
France	(FFr)	8.5771	-0.0083	727 - 814	8.5935	8.5617	8.5815	-0.6	8.5863	-0.4	8.5652	0.1	108.4
Germany	(DM)	2.5159	-0.0005	146 - 172	2.5251	2.5106	2.5163	-0.2	2.5157	0.0	2.5003	0.6	123.4
Greece	(Dr)	375.168	+0.303	867 - 669	376.049	374.667	-	-	-	-	-	-	-
Ireland	(I£)	1.0246	+0.0018	232 - 259	1.0259	1.0215	1.0252	-0.6	1.0263	-0.7	1.0281	-0.3	104.5
Italy	(L)	2439.06	-0.52	752 - 084	2440.64	2433.16	2444.98	-2.9	2454.73	-2.6	2492.83	-2.2	77.4
Luxembourg	(LFr)	51.7780	-0.0229	407 - 113	51.8510	51.6800	51.766	0.2	51.811	-0.3	51.636	0.3	115.1
Netherlands	(Fl)	2.8196	-0.0027	179 - 213	2.8251	2.8149	2.8192	0.2	2.8198	0.0	2.8007	0.7	118.9
Norway	(NKr)	10.8979	-0.0102	920 - 037	10.9183	10.8751	10.8922	0.6	10.9048	-0.3	10.8959	0.0	85.6
Portugal	(Es)	260.561	-0.857	323 - 798	261.905	260.278	261.536	-4.5	263.481	-4.5	-	-	-
Spain	(Pta)	206.045	-0.647	863 - 226	206.651	205.882	206.55	-2.9	207.446	-2.7	210.115	-2.0	85.3
Sweden	(SKr)	11.9660	+0.0489	563 - 756	10.9756	10.8751	11.989	-2.3	12.024	-1.9	12.122	-1.3	75.2
Switzerland	(SFr)	2.1332	-0.0032	317 - 346	2.1355	2.1261	2.1319	0.7	2.1293	0.7	2.1065	1.2	118.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.5
Ecu	-	1.3036	-0.0011	027 - 045	1.3058	1.3009	1.3048	-1.1	1.3006	0.9	1.3016	0.2	-
SDR†	-	0.983992	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5042	-0.0005	036 - 048	1.5048	1.5011	-	-	-	-	-	-	-
Brazil	(Cr)	3029.18	+50.93	817 - 019	3031.00	2971.00	-	-	-	-	-	-	-
Canada	(C$)	2.0666	-0.004	654 - 675	2.0675	2.0575	2.0679	-0.8	2.0711	-0.9	2.0852	-0.9	87.7
Mexico	(New Peso)	5.0364	+0.0251	272 - 456	5.0456	5.0264	-	-	-	-	-	-	-
USA	($)	1.5070	-0.0008	065 - 075	1.5078	1.5040	1.5061	0.7	1.5047	0.6	1.499	0.5	65.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0522	+0.0006	508 - 535	2.0549	2.0501	2.0515	0.4	2.0499	0.4	2.0489	0.2	-
Hong Kong	(HK$)	11.6472	-0.0033	425 - 518	11.6526	11.6259	11.6391	0.8	11.6352	0.4	11.6622	-0.1	-
India	(Rs)	47.2746	-0.0151	551 - 940	47.2960	47.2550	-	-	-	-	-	-	-
Japan	(Y)	158.590	-0.236	499 - 680	158.890	158.100	158.185	3.1	157.39	3.0	153.4	3.3	183.9
Malaysia	(M$)	3.9103	+0.0041	082 - 123	3.9123	3.9014	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5463	+0.0042	443 - 482	2.5503	2.5443	2.5456	0.3	2.5492	-0.4	2.5567	-0.4	-
Philippines	(Peso)	40.9162	+0.2853	002 - 301	41.2301	40.6000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6520	-0.0023	497 - 542	5.6547	5.6415	-	-	-	-	-	-	-
Singapore	(S$)	2.3096	-0.0033	084 - 107	2.3122	2.3059	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4580	-0.0097	550 - 609	5.4609	5.4354	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2291	-0.0602	116 - 466	7.3102	7.2116	-	-	-	-	-	-	-
South Korea	(Won)	1214.95	-0.4	424 - 565	1215.65	1212.24	-	-	-	-	-	-	-
Taiwan	(T$)	40.8213	+0.0004	043 - 382	40.8400	40.7400	-	-	-	-	-	-	-
Thailand	(Bt)	38.0367	-0.0076	090 - 644	38.0644	37.9760	-	-	-	-	-	-	-

†SDR rate for Jun 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.7325	-0.0125	300 - 350	11.7780	11.7300	11.74	-0.8	11.7435	-0.4	11.6683	0.5	103.1
Belgium	(BFr)	34.3570	-0.0015	450 - 690	34.4400	34.3300	34.3845	-1.0	34.432	-0.9	34.447	-0.3	104.4
Denmark	(DKr)	6.5344	-0.0035	334 - 354	6.5517	6.5290	6.5431	-1.6	6.5599	-1.6	6.5881	-0.8	104.4
Finland	(FM)	5.5352	+0.0206	302 - 402	5.5440	5.5117	5.5384	-0.7	5.5452	-0.7	5.5677	-0.6	75.7
France	(FFr)	5.6915	-0.0083	905 - 925	5.7067	5.6850	5.6978	-1.3	5.7065	-1.1	5.669	0.4	104.7
Germany	(D)	1.6696	+0.0003	692 - 698	1.6742	1.6675	1.6707	-0.9	1.6722	-0.7	1.668	0.1	104.9
Greece	(Dr)	248.950	+0.3	700 - 200	249.900	248.700	250.3	-6.5	251.15	-3.5	253.45	-1.8	69.4
Ireland	(I£)	1.4709	-0.0031	694 - 724	1.4745	1.4694	1.4693	1.3	1.4664	1.2	1.4598	0.8	-
Italy	(L)	1618.50	+0.3	800 - 900	1620.20	1614.57	1623.4	-3.6	1631.45	-3.2	1663.05	-2.8	77.9
Luxembourg	(LFr)	34.3570	-0.0015	450 - 690	34.4400	34.3300	34.3845	-1.0	34.432	-0.9	34.447	-0.3	104.4
Netherlands	(Fl)	1.8710	-0.001	705 - 715	1.8762	1.8698	1.8723	-0.9	1.8738	-0.6	1.8684	0.1	104.1
Norway	(NKr)	7.2315	-0.0039	300 - 330	7.2505	7.2248	7.2352	-0.6	7.242	-0.6	7.2078	0.3	95.5
Portugal	(Es)	172.900	-0.6	800 - 000	173.850	172.800	174.305	-9.8	176.3	-7.9	181.25	-4.8	92.1
Spain	(Pta)	136.725	-0.375	650 - 800	137.250	136.650	137.145	-3.7	137.87	-3.3	140.175	-2.5	80.4
Sweden	(SKr)	7.9403	+0.0356	365 - 440	7.9645	7.8883	7.958	-2.7	7.9888	-2.4	8.0803	-1.8	81.0
Switzerland	(SFr)	1.4155	-0.0016	150 - 160	1.4180	1.4120	1.4155	0.0	1.4158	-0.1	1.4053	0.7	104.4
UK	(£)	1.5070	-0.0008	065 - 075	1.5078	1.5040	1.5061	0.7	1.5047	0.6	1.499	0.5	89.3
Ecu	-	1.1560	+0.0004	556 - 564	1.1572	1.1532	1.1543	1.8	1.1517	1.5	1.1639	-0.7	-
SDR†	-	1.40790	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9982	+0.0001	981 - 982	0.9982	0.9981	-	-	-	-	-	-	-
Brazil	(Cr)	2010.08	+34.59	007 - 008	2010.10	2010.07	-	-	-	-	-	-	-
Canada	(C$)	1.3713	-0.0021	710 - 715	1.3715	1.3685	1.3731	-1.5	1.3765	-1.5	1.3911	-1.4	83.9
Mexico	(New Peso)	3.3420	+0.018	370 - 470	3.3470	3.3350	3.343	-0.4	3.3448	-0.3	3.3522	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3618	+0.0009	613 - 622	1.3648	1.3605	1.3621	-0.3	1.3623	-0.1	1.366	-0.3	89.8
Hong Kong	(HK$)	7.7287	+0.0008	282 - 292	7.7298	7.7278	7.7282	0.1	7.7307	-0.1	7.7449	-0.2	-
India	(Rs)	31.3700	+0.0025	675 - 725	31.3725	31.3650	31.45	-3.1	31.595	-2.9	-	-	-
Japan	(Y)	105.235	-0.115	210 - 260	105.350	105.050	105.03	2.3	104.6	2.4	102.33	2.8	144.9
Malaysia	(M$)	2.5947	+0.0037	942 - 952	2.5970	2.5900	2.5872	3.5	2.5837	1.7	2.6147	-0.8	-
New Zealand	(NZ$)	1.6896	+0.0034	888 - 903	1.6920	1.6889	1.6914	-1.3	1.696	-1.5	1.7177	-1.7	-
Philippines	(Peso)	27.1500	+0.2	500 - 500	27.3500	26.9000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	502 - 507	3.7507	3.7502	3.7511	-0.2	3.7531	-0.3	3.7658	-0.4	-
Singapore	(S$)	1.5326	-0.0016	323 - 328	1.5340	1.5305	1.5318	0.6	1.5315	0.3	1.5336	-0.1	-
S Africa (Com.)	(R)	3.6218	-0.005	210 - 225	3.6255	3.6130	3.6373	-5.1	3.6658	-4.8	3.7423	-3.3	-
S Africa (Fin.)	(R)	4.7970	-0.038	870 - 070	4.8550	4.7870	4.8307	-8.4	4.8895	-7.7	-	-	-
South Korea	(Won)	806.200	+0.05	000 - 400	806.400	806.000	809.2	-4.5	812.7	-3.2	831.2	-3.1	-
Taiwan	(T$)	27.0678	+0.011	855 - 900	27.0900	27.0540	27.1078	-0.9	27.1478	-0.9	-	-	-
Thailand	(Bt)	25.2400	+0.005	300 - 500	25.2500	25.2300	25.3125	-3.4	25.44	-3.2	25.92	-2.7	-

†SDR rate for Jun 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 6. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.02	16.11	4.858	1.978	4711	5.445	21.04	503.2	397.9	23.10	4.120	1.932	3.991	2.911	306.2	2.517
Denmark	(DKr)	52.57	10	8.471	2.554	1.040	2477	2.863	11.06	264.5	209.2	12.15	2.166	1.016	2.098	1.530	161.0	1.323
France	(FFr)	62.07	11.81	10	3.015	1.228	2924	3.380	13.06	312.3	247.0	14.34	2.557	1.199	2.477	1.807	190.0	1.562
Germany	(DM)	20.58	3.915	3.317	1	0.407	969.8	1.121	4.330	103.6	81.91	4.755	0.848	0.398	0.821	0.599	63.02	0.518
Ireland	(I£)	50.56	9.616	8.146	2.456	1	2382	2.753	10.63	254.4	201.2	11.68	2.083	0.977	2.018	1.472	154.8	1.272
Italy	(L)	2.123	0.404	0.342	0.103	0.042	100.	0.116	0.446	10.68	8.446	0.490	0.087	0.041	0.085	0.062	6.499	0.053
Netherlands	(Fl)	18.36	3.493	2.959	0.892	0.363	865.2	1	3.863	92.41	73.08	4.243	0.757	0.355	0.733	0.535	56.23	0.462
Norway	(NKr)	47.54	9.042	7.659	2.309	0.940	2240	2.589	10	239.2	189.2	10.98	1.959	0.918	1.897	1.384	145.5	1.197
Portugal	(Es)	19.87	3.780	3.202	0.965	0.393	936.3	1.082	4.180	100.	79.08	4.591	0.819	0.384	0.793	0.579	60.84	0.500
Spain	(Pta)	25.13	4.780	4.049	1.221	0.497	1184	1.368	5.286	126.5	100.	5.806	1.035	0.486	1.003	0.732	76.94	0.633
Sweden	(SKr)	43.29	8.233	6.974	2.103	0.856	2039	2.357	9.105	217.8	172.2	10	1.783	0.836	1.727	1.260	132.5	1.089
Switzerland	(SFr)	24.27	4.617	3.910	1.179	0.480	1143	1.322	5.105	122.1	96.58	5.607	1	0.469	0.969	0.707	74.31	0.611
UK	(£)	51.77	9.847	8.341	2.515	1.024	2439	2.819	10.89	260.5	206.0	11.96	2.133	1	2.066	1.507	158.5	1.303
Canada	(C$)	25.06	4.766	4.037	1.217	0.496	1181	1.364	5.271	126.1	99.71	5.789	1.032	0.484	1	0.729	76.72	0.631
US	($)	34.35	6.534	5.535	1.669	0.679	1618	1.871	7.228	172.9	136.7	7.936	1.415	0.664	1.371	1	105.2	0.865
Japan	(Y)	326.6	62.13	52.62	15.87	6.461	15385	17.79	68.71	1644	1300	75.46	13.46	6.309	13.03	9.508	1000.	8.221
Ecu		39.73	7.557	6.401	1.930	0.786	1872	2.163	8.358	199.9	158.1	9.179	1.637	0.767	1.586	1.157	121.6	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5985	0.5990	+0.0008	0.5996	0.5974	71,854	113,441
Sep	0.5980	0.5981	+0.0008	0.5987	0.5966	25,069	33,393
Dec	0.5975	0.5984	+0.0012	0.5988	0.5975	272	505

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7070	0.7072	+0.0019	0.7083	0.7057	17,143	31,777
Sep	0.7050	0.7075	+0.0018	0.7085	0.7050	13,968	16,698
Dec	0.7075	0.7088	+0.0008	0.7088	0.7075	10	377

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9508	0.9510	+0.0009	0.9519	0.9500	35,241	45,351
Sep	0.9572	0.9573	+0.0011	0.9581	0.9561	20,201	35,264
Dec	0.9635	0.9642	+0.0013	0.9642	0.9635	20	1,188

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5064	1.5060	-0.0010	1.5074	1.5040	18,045	32,416
Sep	1.5036	1.5040	-0.0008	1.5048	1.5022	12,588	12,701
Dec	1.5030	1.5030	-0.0005	1.5030	1.5030	6	108

EMS EUROPEAN CURRENCY UNIT RATES

Jun 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.786193	+0.000327	-2.77	6.78	19
Netherlands	2.19672	2.16838	+0.00129	-1.29	5.17	-
Belgium	40.2123	39.8061	+0.0243	-1.01	4.87	7
Germany	1.94964	1.93415	+0.00111	-0.79	4.65	-
France	6.53883	6.59382	-0.00544	0.84	2.96	-7
Denmark	7.43679	7.55871	+0.00224	1.77	2.01	-12
Spain	154.250	158.402	-0.033	2.69	1.09	-18
Portugal	192.854	200.211	-0.578	3.81	0.00	-26
NON ERM MEMBERS						
Greece	264.513	288.322	+0.299	9.00	-4.76	-
Italy	1793.19	1872.91	-2.05	4.45	-0.20	-
UK	0.786749	0.768809	+0.000886	-2.28	6.24	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jun	Jul	Aug	PUTS Jun	Jul	Aug
1.425	7.98	7.98	7.95	-	-	0.04
1.450	5.53	5.47	5.62	-	0.01	0.24
1.475	3.03	3.22	3.61	-	0.20	0.67
1.500	0.70	1.49	2.06	0.07	0.86	1.59
1.525	-	0.49	1.01	1.82	2.44	2.90
1.550	-	0.09	0.41	4.26	4.48	4.85

Previous day's vol., Calls 6,576 Puts 5,872 . Prev. day's open int., Calls 521,732 Puts 503,955

WORLD INTEREST RATES

MONEY RATES

June 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
[illegible]								

(Rows for Belgium, France, Germany, Ireland, Italy, Netherlands, Switzerland, US and Japan, each with "week ago", and ■ $ LIBOR FT London: Interbank Fixing, US Dollar CDs, SDR Linked Ds — figures [illegible].)

EURO CURRENCY INTEREST RATES

Jun 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]					
Danish Krone	[illegible]					
D-Mark	[illegible]					
Dutch Guilder	[illegible]					
French Franc	[illegible]					
Portuguese Esc.	[illegible]					
Spanish Peseta	[illegible]					
Sterling	[illegible]					
Swiss Franc	[illegible]					
Can. Dollar	[illegible]					
US Dollar	[illegible]					
Italian Lira	[illegible]					
Yen	[illegible]					
Asian $Sing	[illegible]					

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate — [illegible]

■ **THREE MONTH EURODOLLAR** (LIFFE) $1m points of 100% — [illegible]

■ **THREE MONTH EUROMARK FUTURES** (LIFFE) DM1m points of 100% — [illegible]

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100% — [illegible]

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100% — [illegible]

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100% — [illegible]

* LIFFE futures also traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100% — [illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100% — [illegible]

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100% — [illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100% — [illegible]

UK INTEREST RATES

LONDON MONEY RATES

Jun 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]					
Sterling CDs	[illegible]					
Treasury Bills	[illegible]					
Bank Bills	[illegible]					
Local authority deps.	[illegible]					
Discount Market deps	[illegible]					

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

Certs of Tax dep. (£100,000) — [illegible]

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.74	94.74	-0.01	94.76	94.73	[illegible]	[illegible]
Sep	94.40	94.39	-0.03	94.41	94.33	[illegible]	[illegible]
Dec	93.83	93.78	-0.06	93.85	93.72	23068	0
Mar	93.20	93.13	-0.11	93.20	93.03	6603	0

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9450	0.24	0.12	0.09	0	0.23	0.81
9475	0.03	0.05	0.05	0.04	0.41	1.02
9500	0	0.02	0.02	0.26	0.63	1.24

Est. vol. total, Calls 4341 Puts 7046. Previous day's open int., Calls 200810 Puts 173365

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai.	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
Cl. Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank.	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 7 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jun 7 / Frs.)

[illegible]

DENMARK (Jun 7 / Kr)

[illegible]

FINLAND (Jun 7 / Mkk)

[illegible]

FRANCE (Jun 7 / Frs.)

[illegible]

GERMANY (Jun 7 / Dm.)

[illegible]

ITALY (Jun 7 / Lira)

[illegible]

NETHERLANDS (Jun 7 / Fls.)

[illegible]

NORWAY (Jun 7 / Kroner)

[illegible]

SPAIN (Jun 7 / Pta.)

[illegible]

SWEDEN (Jun 7 / Kronor)

[illegible]

SWITZERLAND (Jun 7 / Frs.)

[illegible]

PACIFIC

JAPAN (Jun 7 / Yen)

[illegible]

HONG KONG (Jun 7 / H.K.$)

[illegible]

MALAYSIA (Jun 7 / MYR)

[illegible]

SINGAPORE (Jun 7 / S$)

[illegible]

AUSTRALIA (Jun 7 / Aust$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Jun 7 / Can $) 4 pm close

[illegible]

MONTREAL (Jun 7 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Jun 7 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, June 7, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Oki Electric	12.7m	708	+24	Nippon Steel	4.5m	358	+1
Fuji Hvy	5.7m	470	+14	M'bishi Electric	4.2m	692	+14
M'bishi Hvy	5.6m	772	+9	Minebea	3.7m	810	+3
Mazda Motor	5.3m	621	+33	Takuma	3.6m	1770	+70
Kawasaki Steel	4.6m	404	+1	Iseki	3.5m	433	+17

INDICES

[illegible]

US INDICES

Amex Mkt Val	442.59	441.84	440.53	487.89 (2/2)	427.80 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	743.43	742.38	738.51	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jun 3	May 27	May 20	Year ago
Dow Jones Ind. Div. Yield	2.68	2.69	2.69	2.91
	Jun 1	May 25	May 18	Year ago
S & P Ind. Div. yield	2.47	2.46	2.48	2.46
S & P Ind. P/E ratio	23.41	23.41	24.06	25.90

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	459.35	458.55	-0.80	459.50	458.30	68,843	183,967
Sep	460.60	460.65	-0.90	461.05	460.30	21,206	70,041
Dec	463.10	463.20	-0.70	463.60	462.90	180	8,209

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Syntex	9,939,400	22⅝	-⅛
Merck	4,458,500	30⅞	-⅛
Pepsico	4,211,200	34⅝	-⅝
Philip Morris	4,143,000	50⅝	+1⅛
RJR Nabisco	3,848,100	5¾	—
Wal-Mart	3,310,400	23⅞	-⅛
Telefonos	3,240,000	63¼	+1
IBM	2,343,600	62⅞	+1⅞
Sara Lee	2,310,400	23⅝	+⅝
Compaq	2,232,000	110⅝	-1

■ TRADING ACTIVITY

● Volume (million)

	Jun 6	Jun 3	Jun 2
New York SE	259.078	279.381	271.110
Amex	14.016	18.200	14.917
NASDAQ	288.399	279.002	297.818
NYSE			
Issues Traded	2,806	2,816	2,817
Rises	1,321	1,340	1,275
Falls	847	781	868
Unchanged	638	695	674
New Highs	52	37	47
New Lows	30	37	38

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Jun	2010.0	2008.0	-9.0	2018.0	1994.0	21,853	51,646
Jul	2007.0	2003.0	-8.0	2013.0	1990.0	186	2,600
Sep	2024.5	2020.5	-8.0	2030.0	2024.0	187	16,555

Open interest figures are for previous day.

‡ Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close June 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	14⅛	AAR	0.48	3.3	483	288	14⅝	14⅜	14½	+⅛
16⅝	13¾	A L Labs A	0.18	1.3	33	58	14⅜	14⅛	14¼	
66	57⅝	AMP	1.68	2.6	22	489	64½	64⅛	64⅛	-⅛
72¾	52⅛	AMR			29	3031	57¾	56¾	57¾	+1¼
5	3⅝	ARX			14	155	4¼	4⅛	4¼	
58⅛	38⅝	ASA	2.00	4.7	28	471	43	42⅜	42⅜	-¼
31⅜	25⅞	Abbott	0.76	2.5	18	7440	30¾	30	30¾	+½
13¾	11⅞	Abitibi Pr	0.50	4.0	9	146	12⅝	12½	12⅝	+⅛
13¾	11⅛	Acpincoln			23	20	12¾	12⅝	12⅝	-⅛
31	24½	ACE Ltd	0.44	1.6	4	271	27	26⅞	26⅞	-⅜
12½	10⅛	ACM Gvt In x	1.09	9.7		156	11¼	11⅛	11¼	+⅛
10⅛	7⅞	ACM GtOpp x	0.80	9.2		6	8⅝	8⅝	8⅝	
10⅝	8⅜	ACM Gvt Sp x	0.96	11.1		106	8⅝	8½	8⅝	
12	9⅛	ACM Gvt Se x	1.09	10.7		238	10⅜	10¼	10¼	-⅛
11¾	8¾	ACM Man x	1.08	11.1		345	9¾	9⅝	9¾	
9⅛	8	ACM Managd x	0.72	8.5		205	8½	8⅜	8½	
16½	8¾	AcmeClv	0.44	4.2	12	345	10⅝	10½	10½	-⅛
9¼	6⅝	Acme Elect			6	111	8⅛	8½	8½	-½
28¾	23	Acordia x	0.60	2.1	14	2	28⅜	28⅜	28⅜	
9⅜	5¾	Actava	0.36	4.0	3	484	9	8⅞	9	
15⅝	11¾	Acuson			111	54	14⅝	14½	14½	-⅛
18⅜	16½	Adams Expr	0.48	2.8	0	102	17¼	17	17	-⅛
64	48½	Ad Micro x	3.00	5.2		66	57½	57	57¼	-½
31¾	16¾	AdvMic	3.00	10.8	12	3425	28⅜	27⅝	27¾	-¼
6⅞	5	Advest Grp	0.16	2.8	9	131	5⅞	5⅝	5¾	+⅛
20	16⅜	Aileo Inc	0.10	0.6	115	4	17⅜	17⅜	17⅜	
57¼	48⅞	Aegon ADR	2.95	6.6	11	19	53	52	52¾	+⅝
[illegible]										

- B -

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- J -

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- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close June 7

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1994 High	1994 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
104⅞	87¾	Xerox x	3.00	2.9	44	2107	104	102¾	103	-1
54½	50	Xerox4.125	4.12	7.6		3	54⅛	54⅛	54⅛	
51⅞	40	Xtra Corp	0.56	1.1	23	190	u52⅞	51⅝	51⅞	
25½	20	Yankee Egy x	1.22	5.5	12	63	22⅜	21½	22⅜	+¾
40	33⅞	York Int	0.16	0.4	18	669	37⅜	36⅝	37¼	+⅜
6[illegible]	4¼	Zapata				381	4¾	d4⅝	4¾	
13½	7	ZenithEl			3	2446	9½	9	9	-½
24¼	20⅝	Zenith Nat	1.00	4.3	8	153	24	23½	23½	+⅛
7⅞	6⅝	Zenix Inc	0.82	11.3		130	7¼	7⅛	7¼	
16⅛	11¾	Zero	0.40	3.3	15	47	12⅜	12¼	12¼	-¼
29¾	20⅛	Zurn Ind	0.88	4.1	19	120	22¼	21½	21½	-½
13⅞	12⅛	Zweig Fund	1.16	9.1		175	12¾	12⅝	12¾	+⅛
10¾	9⅛	Zweig Totl x	0.84	8.8		210	9½	9⅜	9½	+[illegible]

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

4 pm close June 7

AMEX COMPOSITE PRICES

4 pm close June 7

AMERICA

Dow subsides as equities follow bonds

Wall Street

US share prices slipped yesterday morning as stocks followed bonds in a convictionless decline, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 7.69 lower at 3,760.83, while the more broadly based Standard & Poor's 500 was down 0.49 at 458.39. In the secondary markets, the American SE composite dipped 0.18 to 442.41 and the Nasdaq composite receded 3.05 to 740.38.

With no fresh economic news available, activity was light. Only 139m shares were traded on the NYSE by 1 pm. Analysts said that trading was likely to remain listless until Friday, when the Commerce Department is scheduled to release producer prices data for May, followed by consumer price data next Monday.

However, the two reports were not expected to stir the market unless the data confounded expectations of tame inflation last month. Forecasts centre on a 0.2 per cent increase in the PPI, after a slight decline in April. The CPI is expected to show a 0.3 per cent upturn, after inching 0.1 per cent ahead during the previous month.

After a welcome two-day rally, the US Treasury market was taking a breather. The benchmark 30-year government bond was showing modest losses by midday, with traders also looking ahead to the inflation data due out later in the week.

In the absence of a strong movement by bonds or important fundamental guidance, technical conditions came to the fore, giving rise to profit-taking across the board.

Cyclical issues were the hardest hit, probably reflecting recent statistics pointing to a cooling economy. Caterpillar dropped $1⅝ to $106⅞ and International Paper receded $1⅛ to $69.

Utilities were among the most actively traded issues, in transactions linked to dividend payment schedules. Texas Utilities dipped $⅛ to $32⅞ in heavy volume of more than 2.2m shares. Pennsylvania Power & Light was off $⅛ at $21⅞ and Long Island Lighting shed $⅛ to $19⅞.

In pharmaceuticals, Rhône-Poulenc Rorer was turning in a strong performance amid speculation that its French parent company may raise its stake in the US operation.

Late last Friday, the company filed a document with the Securities and Exchange Commission which increased the likelihood of such a move, analysts said.

After a delayed opening yesterday, its share price jumped $3¼ to $38⅞.

Alexander & Alexander Services resumed trading after a one-day hiatus requested by the company, pending a "significant announcement".

In an anticlimax, the stock added $⅛ to $16⅞ as the company revealed that American International Group would invest $200m in a new issue of convertible preferred stock. AIG was up $¼ at $93⅞.

It was a quiet day on the Nasdaq, with most technology stocks showing slight declines. Wellfleet Communications shed $⅞ to $25⅞ and Lotus Development dropped $⅛ to $56⅞. Microsoft marked its first day as one of the Standard & Poor's 500 index stocks by slipping $⅜ to $53⅞.

Canada

Toronto traded lower at noon, the TSE-300 composite index registering a fall of 25.82 to 4,243.14 in volume that climbed to 28.1m shares from Monday's 21.5m.

A firm base metals index kept the market from easing further. The group rose 11.92 to 3,686.98 as Alcan Aluminium held steady at C$31⅞ and Inco traded C$¼ higher at C$35 after Lehman Brothers raised its 1994 Inco profit estimate.

Conversely, precious metals were lower, the sector losing 93.41, or 1 per cent, at 9,640.74.

Brazil

Shares in São Paulo were 0.6 per cent higher in quiet midday trading, but behind the average daily rate of inflation, as foreign and domestic investors continued to buy ahead of the introduction of the new currency, the real, on July 1.

The Bovespa index had risen 175 to 29,262 by 1 pm.

Chart analysts said that the Bovespa index had a resistance barrier at 30,000 points, and there were expectations that profit-taking would take hold at that level.

Midday turnover was Cr340.9bn.

Telebras was up 0.7 per cent at Cr84.70 and Petrobras 3.6 per cent ahead at Cr214.

South African gold shares advance on rise in bullion

Gold shares in Johannesburg improved sharply following a rise in bullion above $380 an ounce. However, industrials lacked direction, while there was steady interest in De Beers, up R3.25 at R112.25.

The overall index rose 56 to 5,518, industrials 6 to 6,545 and golds 56 to 1,979.

Among other movers, Anglos added R6 at R227.50 and JCI was 50 cents better at R95.50.

Remgro depressed the industrial index with a 75-cent fall to R26.75 on fears that it could suffer from possible taxes on cigarettes and alcohol.

Gencor appreciated 5 cents to R10.70, Richemont slipped 25 cents to R39.50 in good volume and Minorco moved ahead R4.50 to R111.

Absa shed 15 cents to R8.70 as its strong showing of the past week ran out of steam, although dealers said the market remained positive about its prospects. In golds, Kloof climbed R3 to R50.50 and Vaal Reefs R11 to R401.

● The Council of Southern African Banks said yesterday that it had rejected recommendations for an evolutionary restructuring of the Johannesburg Stock Exchange, and warned that without full deregulation a rival exchange could be set up.

The council said that without full deregulation there would be "no option but to apply for a licence to establish a rival stock exchange".

The move followed the JSE's release of its restructuring proposals last month.

EUROPE

Frankfurt frightened by new loan losses rumour

As equities wobbled around the world, Mr David Roche and his new firm, Independent Strategy, offered encouragement yesterday to long term financial asset markets, *writes Our Markets Staff.*

"The conditions are set for mild world economic recovery, no return of inflation and lower bond yields in most countries," said Mr Roche, marking out German, US and Japanese equities and bonds for positive surprises. But yesterday's German surprise was quite the reverse.

FRANKFURT was running along contentedly when the bottom fell out of the market. The Dax index closed the session 27.97 lower at 2,135.10 and hit 2,123.67 in the post-bourse before ending at 2,131.80, down 1.5 per cent on the day.

Share prices foundered on a rumour that major banks were at risk of more heavy losses from a corporate borrower – perhaps, once again, in the real estate sector. The banks denied it but Bayernhypo fell DM13, or 2.9 per cent, to DM429.50 and Commerzbank DM12.50, or 3.7 per cent, to DM325.

Elsewhere, Daimler led the slide with a fall of DM12.50 to DM802; Siemens lost DM13 at DM695.50; and, in a weak engineering sector, KHD and Klöckner-Werke fell DM4.60 to DM135.90 and DM5.50 to DM153.50 respectively.

Ms Barbara Altmann at B Metzler in Frankfurt said that the banking rumour had a general effect on share prices. Noting that turnover stayed low yesterday, rising from DM5.2bn to DM5.3bn, she added: "With volume this low, people can make money out of other people's fears."

MILAN recovered 1.6 per cent as domestic and foreign investors returned to buy blue chips. The Comit index regained 11.73 at 750.66as the market awaited government measures, possibly today, to help the labour market. Investors were further cheered by news that Italian equity funds continued to record net receipts in May, confounding worries that the recent market downturn might have indicated net redemptions during the month.

Fiat led the advance, adding L239, or 3.5 per cent, at L7,060 after comments by Mr Giorgio Garuzzo, Fiat Auto president, that the group was struggling to keep up with demand for the new Punto model. Olivetti put on L100 at L2,651 and Pirelli added L102 at L2,769.

Sip and Stet, foreign favourites, both rose by 4.1 per cent, by L181 to L4,555 and by L221 to L5,582 respectively.

Against the trend, Credito Italiano fell L23 to L2,361 on news that it planned to raise L2,000bn over five years through rights issues.

PARIS bounced back from the session's lows, helped by a technical recovery late in the day in futures. The CAC-40 index finished 13.41 down at 2,023.74, in turnover of some FFr3bn.

Suez rose FFr2.60 to FFr308.50 as the market was swept by rumours that the sale of its Groupe Victoire insurance subsidiary was imminent.

Rhône-Poulenc, FFr1.70 cheaper at FFr133.50, was also subject to unconfirmed reports that it was to buy out the minority shareholding in Rhône-Poulenc Rorer, a US subsidiary, in which it has a 68 per cent shareholding.

AMSTERDAM drifted lower in a session dominated by broad declines in blue chip issues. The AEX index shed 2.07 to 405.28 as Royal Dutch dipped Fl 2.60 to Fl 196.80 on weakness in oil prices.

Nedlloyd drifted down Fl 1.40 at Fl 66.60 with James Capel reiterating its sell recommendation. On the upside, KLM rose 40 cents to Fl 49.40 as the airline reported a rise in passenger traffic during May.

ZURICH made an early attempt to add to Monday's rally, before renewed profit-taking and a weak bond market pulled prices back. The *SMI* index ended 3.3 off at 2,778.1 after a morning peak of 2,798.

Roche certificates found Monday's strength short-lived, giving up SFr40 to SFr6,840. Cyclicals were mixed: BBC lost SFr8 to SFr1,225 while Sulzer registered put on SFr14 to SFr948 after a recommendation from Credit Suisse.

SMH lost SFr11 to SFr810 after the watchmaker said it expected only modest profit growth this year but was confident about the outlook for its core business.

MADRID was hit by last minute selling after a drop in the futures market, and the general index fell 3.52 to 323.54 in turnover estimated at less than Pta25bn.

ATHENS slipped nearly 2 per cent on profit-taking, with most of the losses seen among construction stocks. The general index lost 17.3 to 854.54, in a session extended by one hour following technical problems.

HELSINKI fell 1.2 per cent but two of its conglomerates fared worse. Huhtamaki lost FM20, or 9.5 per cent at FM190 after its profits came out higher, but far below analysts' expectations; and Amer shed FM3, or 2.2 per cent to FM131 although it reported a 67 per cent rise in earnings per share for the first four months of 1994. The Hex index closed 21.4 lower at 1,754.6.

WARSAW dropped back for the third consecutive session as the Wig index fell 376.5 or 3.6 per cent to 10,221.7.

Turnover declined by 5 per cent to 995bn zlotys as volume rose 49 per cent to 2.7m shares

ISTANBUL fell 1.6 per cent in a volatile session, which concentrated mainly state industries after the head of the privatisation agency urged that the privatisation programme should be accelerated.

The composite index lost 217.34 to 16,536.4, having begun the day at 17,225.65. Turnover dropped to TL1,183bn.

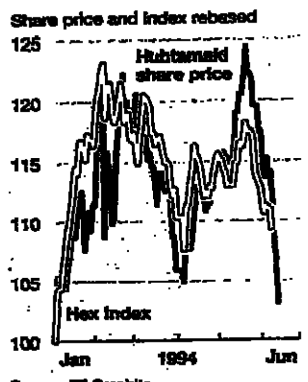
Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Jun 7								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1413.53	1414.27	1414.75	1412.69	1410.10	1408.36	1408.23	1409.65
FT-SE Eurotrack 200	1429.78	1429.30	1429.79	1428.04	1425.92	1423.95	1423.30	1426.30

	Jun 6	Jun 3	Jun 2	Jun 1	May 31
FT-SE Eurotrack 100	1418.61	1403.38	1390.96	1388.97	1399.73
FT-SE Eurotrack 200	1433.30	1417.13	1405.67	1398.53	1403.70

Base 1000 (26/10/90); High/day: 100 - 1415.94, 200 - 1430.55 Low/day: 100 - 1406.80 200 - 1422.04



Source: FT Graphite

ASIA PACIFIC

Late buying spurt takes Nikkei back above 21,000

Tokyo

After a lacklustre morning and afternoon which produced modest gains in light trading, a wave of buying drove the market back above the 21,000 mark in the final minutes of the day, *writes Robert Patton in Tokyo.*

The Nikkei 225 average saw a day's low of 20,735.05 at the opening but, largely on foreign buying and sporadic bargain hunting after three days of declines, was lifted gently through the morning and most of the afternoon. In the final minutes of trading a barrage of futures-linked buy orders pushed the index up sharply to a close of 21,042.71 for a rise of 316.06, just below the session's high of 21,053.71 recorded seconds earlier.

The capital-weighted Nikkei 300 gained 3.65 at 307.31 and the Topix index of all first section stocks put on 17.06 at 1,681.58. Volume was an estimated 270m shares. In London the ISE/Nikkei 50 index was 0.68 firmer at 1,389.39.

Large-capital and high-technology stocks came back to lead the advance. Oki Electric, the day's volume leader with 12.7m shares traded, climbed Y24 to Y708. Fuji Heavy Industries, the manufacturer of Subaru cars, was up Y14 to Y470 in the day's second highest volume of 5.7m shares. Other auto makers also gained, Mazda Motors roaring up Y33 to Y621 and Isuzu Motors adding Y16 at Y517.

Nintendo rose Y20 to Y6,630 in spite of a morning report that the game maker had been found guilty of patent infringement by a US Federal court. The case, which could cost Nintendo $350m, is being appealed with a damage ruling expected on July 18.

More and more traders were talking about higher share prices in the near to medium term. One analyst, basing his optimism on the recent strength in a number of retail areas, particularly ladies' garment sales, suggested that the Nikkei could gain 20 per cent this year.

But another area of garment retailing took a beating in today's market. The menswear discounters, Aoki International and Aoyama Trading, dropped Y220 to Y2,380 and Y100 to Y517 respectively. Both companies, especially Aoyama, have been extremely profitable but competition has been mounting rapidly, with many traditional large retailers now moving into deep discounting.

In Osaka the OSE average put on 120.21 at 23,802.81 in volume of 110m shares.

Roundup

Some sharp falls were registered in the region yesterday.

BANGKOK was heartened, however, by an easing of domestic political tensions, prompting investors to buy finance and bank issues. The SET index rose 20.38, or 1.5 per cent, to 1,383.39 in turnover of Bt10.06bn, more than double Monday's Bt4.5bn.

A two-week hunger strike by a political activist, Chalad Worachat, who was demanding democratic reforms, had increased tension within the ruling coalition. But yesterday political parties agreed to support his latest proposal to set up a committee to study drafting a new charter.

The banking sector accounted for almost half of the day's trade. Bangkok Bank closed Bt6 higher at Bt188.

HONG KONG encountered futures related selling linked to speculation about today's government property package, aimed at cooling the overheated residential property market, and renewed rumours about the health of the Chinese leader, Deng Xiaoping. The Hang Seng index lost 135.15, or 1.4 per cent, at 9,247.88 in turnover that rose to HK$3.6bn from Monday's HK$2.8bn.

Property issues were the hardest hit. Cheung Kong shed 75 cents to HK$38.25, Henderson Land 75 cents to HK$40.50 and Sun Hung Kai Properties HK$1.50 to HK$51.

China stocks were mixed. The state-run Dongfang Electrical Machinery eased back from its high, but still ended with a 10-cent gain at HK$3.275 on its second day of trading.

SINGAPORE was mixed, with losses in a few index stocks dragging the Straits Times Industrial index down 24.70 to 2,267.21 in thin volume of 106.1m shares. Fraser & Neave, S$18.30, and Inchcape, S$5.65, dipped 20 cents apiece.

Negara Hotel made a further 30-cent gain to S$6.50 on further redevelopment speculation, but profits were taken in Seaview Hotel, driving it down 70 cents to S$10.40.

SEOUL remained worried about the North Korea nuclear problem and the composite index ended 8.54 lower at 921.72, after touching 914.94, in turnover of Won585.2bn.

Against the trend, institutional demand helped low-priced construction stocks to make gains. Among them, Poonglim Industry and Shinwha Engineering & Construction went limit up by adding Won600 each at Won11,200 and Won15,100 respectively.

MANILA saw its fourth consecutive decline as profits were taken in blue chips and foreign institutions sold San Miguel and Manila Electric.

The composite index shed 27.52 to 2,994.54 as turnover rose to 851.3m pesos from Monday's 633.9m. San Miguel "B" fell 2.8 per cent to 135 pesos and Manila Electric "B" 2.7 per cent to 357.50 pesos.

SYDNEY was supported by buying of industrials, but further weakness in gold stocks left the All Ordinaries index 2.3 easier at 2,070.2. Turnover amounted to A$357m.

Brokers said a fall in the price of gold bullion overnight contributed to negative sentiment, and forecasts were that the bullion price would remain under pressure for the next few days.

The gold shares index recovered some ground to close 14.6 off at 2,223.4, after a session low of 2,202.5.

Fears over the future of mining projects in Papua New Guinea also upset investors after the government there suspended further proposals. Among companies involved in mining in PNG, Niugini lost 5 cents at A$5.10 and Highlands Gold 2 cents at A$1.38.

In industrials, News Corp fell 8 cents to A$8.90. Foster's Brewing was steady at A$1.14 after announcing a corporate restructuring on Monday.

TAIPEI finished off the day's low on late buying in the electronics sector. The weighted index was down 7.40 at 6,069.85, after 6,028.03. Turnover declined to T$56.2bn from Monday's T$73.8bn.

WELLINGTON, closed on Monday, saw the NZSE-40 capital index slip 17.12 to 2,121.88.

An announcement that a three-year ban on logging in the Pacific Northwest US region had been lifted triggered a wave of selling in forestry stocks that spread to other sectors. Telecom went against the trend with a rise of 8 cents to NZ$5.11.

KUALA LUMPUR closed firmer but off its highs after a late round of profit-taking in a session dominated by second line stocks. The composite index added 2.36 at 972.42.

KARACHI opened a new account with bullish sentiment in energy stocks, on rumours of favourable treatment for the industry in tomorrow's budget. The KSE 100 index advanced 22.5 to 2,239.32, with Sui Northern Gas up Rs3 at Rs68.50.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JUNE 6 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JUNE 3 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	173.85	-0.7	170.96	115.77	150.87	157.33	-0.2	3.60	175.09	172.52	116.48	151.70	157.67	189.15	139.19	134.84
Austria (17)	167.46	-1.2	164.68	111.52	145.32	145.23	-0.8	1.12	169.47	166.98	112.74	146.83	146.35	195.41	142.80	147.15
Belgium (38)	166.51	0.3	162.76	110.22	143.62	140.24	0.6	3.82	164.96	162.54	109.74	142.62	139.41	178.67	141.93	141.92
Canada (106)	130.92	0.5	128.74	87.18	113.61	130.20	-0.1	2.80	130.29	128.39	86.68	112.68	130.49	145.31	121.46	127.87
Denmark (33)	247.86	0.3	243.76	165.07	215.11	230.42	0.5	1.34	247.01	243.39	164.33	214.01	219.21	276.79	207.56	212.53
Finland (23)	143.48	-0.4	141.09	95.54	124.51	166.04	-0.3	0.88	144.02	141.91	95.81	124.78	166.51	158.72	86.84	94.21
France (97)	166.48	-0.3	163.70	110.85	144.45	148.70	-0.1	3.03	166.93	164.48	111.05	144.62	148.86	185.37	149.60	152.64
Germany (58)	137.42	0.8	135.14	91.52	119.26	119.26	0.7	1.73	136.65	134.64	90.91	118.39	118.39	147.07	107.59	111.01
Hong Kong (55)	385.66	1.9	379.26	256.82	334.68	382.60	1.9	3.10	378.47	372.92	251.78	327.91	375.90	506.05	271.42	290.89
Ireland (14)	181.23	0.3	178.23	120.69	157.28	173.24	0.0	3.50	180.67	178.02	120.20	156.54	173.24	209.33	155.93	162.68
Italy (80)	86.92	1.3	85.48	57.88	75.43	105.05	1.2	1.50	85.80	84.54	57.08	74.33	103.75	97.78	67.86	65.18
Japan (468)	158.26	-1.1	155.63	105.39	137.34	105.39	-1.0	0.73	159.97	157.62	106.42	138.60	106.42	165.81	124.54	153.24
Malaysia (98)	453.74	1.1	446.21	302.16	393.76	452.77	1.1	1.78	448.90	442.32	298.64	388.94	447.99	621.63	312.51	340.98
Mexico (18)	2121.05	0.5	2085.84	1412.47	1840.64	7706.54	0.8	1.01	2107.79	2076.85	1402.24	1826.17	7651.10	2647.08	1431.17	1485.89
Netherland (26)	199.19	0.7	195.89	132.65	172.86	170.19	1.0	3.30	197.76	194.86	131.56	171.34	168.47	207.43	164.22	166.56
New Zealand (14)	70.50	-0.2	69.33	46.95	61.18	63.12	0.0	3.79	70.67	69.63	47.02	61.23	63.12	77.59	48.57	49.49
Norway (22)	190.02	0.5	186.87	126.54	164.90	186.61	0.7	1.77	189.15	186.38	125.84	163.88	185.29	208.42	150.61	156.40
Singapore (44)	341.41	0.3	335.74	227.36	296.28	241.36	0.1	1.76	340.33	335.34	226.41	294.87	241.21	378.92	242.45	261.05
South Africa (59)	262.56	-2.3	258.22	174.86	227.86	277.49	-0.9	2.25	268.81	264.86	178.83	232.89	279.95	290.28	175.83	187.28
Spain (42)	143.61	0.2	141.23	95.63	124.62	148.15	0.1	4.05	143.36	141.26	95.38	124.21	148.08	165.78	118.33	129.38
Sweden (36)	218.73	0.3	215.10	145.66	189.82	255.84	1.1	1.56	217.07	213.89	144.41	188.07	253.20	251.26	163.85	178.12
Switzerland (47)	160.16	1.4	157.50	106.66	138.99	140.71	1.6	1.73	157.95	155.63	105.08	136.85	138.51	176.56	124.45	125.62
United Kingdom (205)	185.56	0.6	182.50	123.58	161.05	182.50	0.4	4.10	184.50	181.79	122.74	159.85	181.79	214.96	170.32	174.85
USA (519)	187.26	-0.2	184.15	124.70	162.50	187.26	-0.2	2.86	187.60	184.84	124.80	162.53	187.60	198.04	178.95	183.96
EUROPE (720)	164.60	0.6	161.87	109.61	142.84	154.96	0.6	3.01	163.69	161.28	108.89	141.82	154.05	178.58	141.52	144.01
Nordic (115)	208.50	0.5	203.07	137.51	179.20	209.77	0.7	1.42	205.51	202.49	136.72	178.06	208.25	220.60	155.82	166.42
Pacific Basin (750)	166.85	-0.8	163.83	110.98	144.62	115.16	-0.7	1.05	167.98	165.52	111.76	145.54	115.96	170.75	134.79	156.52
Euro-Pacific (1470)	165.64	-0.2	162.89	110.31	143.74	131.16	-0.2	1.89	166.04	163.60	110.46	143.86	131.37	170.79	141.86	151.27
North America (625)	183.78	-0.1	180.71	122.37	159.46	183.32	-0.2	2.85	184.04	181.34	122.44	159.45	183.66	192.78	175.87	180.49
Europe Ex. UK (515)	149.43	0.5	146.95	99.51	129.67	137.41	0.7	2.39	148.62	146.44	98.87	128.78	136.45	157.47	122.37	124.92
Pacific Ex. Japan (281)	249.15	0.7	245.02	165.92	216.22	223.63	0.9	2.85	247.31	243.69	164.53	214.28	221.57	298.21	182.38	189.23
World Ex. US (1653)	166.87	-0.2	164.10	111.12	144.81	134.49	-0.2	1.81	167.26	164.83	111.28	144.93	134.72	172.21	142.84	151.72
World Ex. UK (1967)	171.35	-0.3	168.51	114.11	148.70	147.75	-0.2	2.04	171.86	169.35	114.34	148.90	147.90	176.08	153.22	160.23
World Ex. So. Af. (2113)	172.06	-0.2	169.24	114.60	149.34	150.05	-0.2	2.23	172.44	169.91	114.72	149.40	150.29	178.26	155.00	161.30
World Ex. Japan (1703)	182.35	0.1	179.32	121.46	158.24	171.12	-0.2	2.88	182.06	179.41	121.13	157.70	170.81	183.20	165.72	167.90
The World Index (2172)	172.63	-0.2	169.76	114.96	149.81	151.01	-0.2	2.23	173.02	170.48	115.10	149.90	151.27	178.97	155.17	161.52

Amendment to dividend yield 6/6/94 applied to Hong Kong. Constituent changes with effect 6/6/94: Additions: Powerfin (V V P R) and Tractebel (V V P R). Deletions: Powerfin A, Tractebel A, C and D (all Belgium). Latest prices were unavailable for this edition. Markets closed 6/6/94: Ireland and New Zealand.